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PRESS RELEASE

Malta Fiscal Advisory Council publishes an overall assessment of the Government's fiscal forecasts presented within the Update of Stability Programme 2016 – 2019

On 27 May 2016, the Malta Fiscal Advisory Council (MFAC) presented to the Minister for Finance its assessment of the official fiscal forecasts contained in the Update of Stability Programme 2016 – 2019 which was published on 29 April 2016.

The MFAC notes that the Government intends to sustain the fiscal consolidation momentum, aiming that by 2019, it will register a small surplus in the general government balance, equivalent to 0.1% of GDP, whereas the public debt-to-GDP ratio would be scaled back to 55.5% from 63.9% in 2015. On the basis of its assessment, the MFAC considers that while the deficit and debt projections presented by the Ministry for Finance are quite ambitious, they are deemed to be within its endorseable range.

The MFAC views the revenue projections to be plausible, noting the possibility that some specific revenue items could indeed surpass projections, as the underlying assumptions are judged to be rather prudent. This appears to be the case particularly for taxes on production and imports and current taxes on income and wealth, although such view is contingent on the materialisation of the rather buoyant macroeconomic outlook, which has been endorsed by the MFAC in its report dealing with the macroeconomic projections which was published on 29 April 2016.

On the other hand, the expenditure targets contained in the latest Update of Stability Programme may be rather ambitious, leaving the possibility for an element of upside risk particularly in the case of spending on compensation of employees and on intermediate consumption. Very close monitoring and vigilance by the authorities will therefore be crucial to ensure that these targets are met. Moreover, the Government is invited to sustain the positive momentum regarding expenditure rationalisation, particularly the further implementation of the measures proposed through the Comprehensive Spending Review exercise.

On balance, the MFAC considers the risks to the attainment of the targets for the fiscal balance over the period 2016 to 2019 to be broadly neutral, on account of the opposing revenue and expenditure upside risks. The track record in meeting the targets for the general government fiscal balance suggests that there appears to be sufficient flexibility within the budget to cope with an element of unplanned revenue shortfalls or expenditure overruns, provided these are not excessive. Furthermore, the MFAC notes that the deficit projections for 2016 and 2017 are both within a close range, albeit slightly more ambitious, when compared to the latest forecasts published by the Central Bank of Malta and the European Commission.

With regard to the debt-to-GDP projections, these are also deemed to be consistent with the expected trajectory for the fiscal balance and nominal GDP, and further reflect an element of prudence.

The full report, entitled “An Assessment of the Fiscal Forecasts for Malta prepared by the Ministry for Finance in April 2016”, is available on the website of the MFAC
<http://www.mfac.gov.mt>.

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STQARRIJA GHALL-ISTAMPA

Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni ġeneralis tiegħu dwar it-tbassir fiskali tal-Gvern hekk kif ippreżentat fl-Aġġornament tal-Programm ta' Stabbilità 2016 – 2019.

Fis-27 ta' Mejju tal-2016, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta lill-Ministru ghall-Finanzi l-evalwazzjoni tiegħu tat-tbassir fiskali li jinsab fl-Aġġornament tal-Programm ta' Stabbilità 2016 – 2019 li kien ippubblikat fid-29 ta' April 2016.

L-MFAC jinnota li l-Gvern mistenni jibqa' mixi bil-konsolidazzjoni fiskali, bil-ghan li fl-2019 jkun hemm *surplus* żgħir fil-bilanċe tal-gvern estiż, ekwivalenti għal 0.1% tal-Prodott Gross Domestiku (PGD), filwaqt li d-dejn pubbliku jitniżżeel għal 55.5% tal-PGD minn 63.9% fl-2015. Abbaži tal-evalwazzjoni tiegħu, l-MFAC jikkunsidra li filwaqt li t-tbassir tad-deficit u tad-dejn kif preżentati mill-Ministeru għall-Finanzi jidhru xi ftit ambizzju, dawn huma xorta meqjusa bħala plawżibbli u aċċettabbli.

L-MFAC iqis it-tbassir dwar id-dħul totali bħala plawżibbli, filwaqt li jinnota li xi kategoriji ta' dħul jistgħu anke jaqbżu l-ammonti imbassra, minħabba li s-suppożizzjonijiet użati huma meqjusa bħala kemmxejn prudenti. Dan japplika l-iktar għat-taxxi fuq il-produzzjoni u l-importazjoni u għat-taxxi kurrenti fuq id-dħul u l-ġid, għalkemm dan jiddependi fuq li jseħħu l-prospetti makroekonomiċi favorevoli, li kienu ġew meqjusa bħala aċċettabbli mill-MFAC fir-rapport dwar l-evalwazzjoni tat-tbassir makroekonomiku li kien ippubblikat fid-29 ta' April 2016.

Mill-banda l-oħra, il-miri tal-infiq, li jinsabu fl-aħħar Aġġornament tal-Programm ta' Stabbilità, jidhru kemmxejn ambizzju, u għalhekk iħallu xi riskju li l-infiq ikun ogħla milli previst. Il-miri tal-infiq fuq pagi u fuq konsum intermedju jidhru l-iktar ambizzju. Għalhekk, huwa kruċjali li jkun hemm sorveljanza u viġilanza kontinwa min-naħha tal-awtoritajiet konċernati sabiex jiżguraw li dawn il-miri jintlaħqu. Barra minn hekk, il-Gvern huwa mistieden isostni l-ħidma ta' razzjonalizzazzjoni fl-infiq, u partikolarmen ikompli jimplimenta l-miżuri proposti abbażi tal-eżerċizzju tar-Revizjoni Komprensiva tal-Infiq.

L-MFAC jikkunsidra r-riskji biex jintlahqu l-miri tal-bilanċ fiskali għall-perjodu 2016 – 2019 bhala newtrali, billi l-inċertezzi li d-dħul u l-infiq ikunu iktar għoljin, ipattu għal xulxin. Fil-passat il-miri tal-bilanċ fiskali irnɛxxilhom jintlahqu, u b'hekk jista' jitqies li hemm biżżejjed flessibbilità fil-baġit biex xi dħul inqas jew infiq aktar milli previst, jiġu bbilanċjati sakemm dawn ma jkunux eċċessivi. L-MFAC ukoll jinnota li t-tbassir tal-Gvern għad-defiċit għall-2016 u l-2017 huwa relativament viċin, għalkemm kemmxejn iktar ambizzjuż, meta mqabbel mal-ahħar tbassir mill-Bank Ċentrali ta' Malta u mill-Kummissjoni Ewropea.

Fir-rigward tat-tbassir tad-dejn bhala proporzjon tal-PGD, dan huwa wkoll meqjus li huwa konsistenti mal-andament mistenni fil-bilanċ fiskali u tal-PGD f'termini nominali, filwaqt li jirrifletti element ta' prudenza.

Ir-rapport shiħi bit-titlu ta' ‘An Assessment of the Fiscal Forecasts for Malta prepared by the Ministry for Finance in April 2016’, huwa disponibbli fuq is-sit elettroniku tal-MFAC <http://www.mfac.gov.mt>.