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PRESS RELEASE

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

On 29 April 2016, the Malta Fiscal Advisory Council (MFAC) presented to the Minister for Finance its assessment of the official macroeconomic forecasts contained in the Update of Stability Programme 2016 – 2019 which was submitted to the European Commission on 29 April 2016. The Update of Stability Programme is used by the European Commission to assess whether a Member State is on track to meet its Medium-Term Budgetary Objective. In terms of EU regulations and the Fiscal Responsibility Act, all macroeconomic projections produced by the Ministry for Finance must be assessed by the MFAC to determine whether they are sound and plausible.

On the basis of the latest available information, the MFAC is of the opinion that the series of macroeconomic forecasts underpinning the Update of Stability Programme are overall deemed to be within the endorseable range of the MFAC. The forecasting methodologies adopted are also judged to be sound and in line with general practices.

In particular, the MFAC considers the real GDP growth forecasts for the years 2016 – 2019, respectively at 4.2%, 3.1%, 2.9% and 2.4%, to be achievable, also when considering the 6.3% real growth registered in 2015. These projections are within a relatively close range to similar forecasts produced by other local and international institutions.

The sources of real GDP growth are expected to fluctuate throughout the forecast horizon, with domestic demand being the main driver for growth in all years apart from 2018, where net exports are expected to be the main source of growth. This economic outlook is conditioned by the projected trajectory for gross fixed capital formation. In turn, this is driven by a number of investment projects which are expected to take place during the forecast horizon. The non-materialisation or slower-than anticipated progress in such public and private sector projects thus constitute a downside risk to the forecasts for the investment expenditure component within GDP.

A further element of downside risk to real economic growth relates to the projected export performance, particularly for the outer forecast years. These downside risks are conditioned by the assumption that the euro retains its relatively competitive exchange rate and by the assumed positive performance of Malta's main trading partners against a background of ever changing international economic conditions.

With regards to private consumption expenditure, this is expected to expand further but to decelerate from the high growth rate registered in 2015. The MFAC considers this trajectory to be plausible, when evaluated against the backdrop of the recent positive labour market developments, characterised by employment growth and low unemployment rates, a scenario which is likely to continue prevailing throughout the forecast horizon.

The MFAC finally notes that the forecasted path for general government final consumption expenditure is characterised by an uneven growth pattern throughout the forecast horizon, based on the latest estimates prepared by the Ministry for Finance. The plausibility of the fiscal projections for the period up to 2019, are however evaluated in depth in a separate report which the MFAC will be publishing in the coming weeks.

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

2 ta' Mejju 2016

STQARRIJA GHALL-ISTAMPA

Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni tiegħu tat-tbassir makroekonomiku tal-Gvern hekk kif ipprezentat fl-Aġġornament tal-Programm ta' Stabbilità 2016-2019

Fid-29 ta' April 2016, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta lill-Ministru għall-Finanzi l-evalwazzjoni tiegħu tat-tbassir makroekonomiku li jinsab fl-Aġġornament tal-Programm ta' Stabbilità 2016-2019, liema dokument ġie mibghut lill-Kummissjoni Ewropea fid-29 ta' April 2016. Dan l-Aġġornament jintuża mill-Kummissjoni Ewropea biex tevalwa jekk Stat Membru huwiex fit-triq it-tajba biex jilhaq l-Objettiv Baġitarju ta' Terminu Medju. Skont ir-regoli tal-Unjoni Ewropea u l-Att dwar ir-Responsabbiltà Fiskali tal-2014, it-tbassir makroekonomiku hekk kif imhejj mill-Ministeru għall-Finanzi jrid jiġi evalwat mill-MFAC biex jiġi determinat jekk dan huwiex plawżibbli u mħejji b'mod robust.

Abbaži tal-aħħar informazzjoni disponibbli, l-MFAC hu ta' l-opinjoni li t-tbassir makroekonomiku li jinsab fl-Aġġornament tal-Programm ta' Stabbilità huwa meqjus bħala aċċettabbli u plawżibbli għall-MFAC. Il-metodologija li ntużat biex ġie mħejji dan it-tbassir hi wkoll iġġudikata bħala robusta u b'konformità mal-prattika ġenerali.

B'mod partikolari, l-MFAC jikkunsidra li t-tkabbir ekonomiku f'termini reali għas-snin 2016-2019, ta' 4.2%, 3.1%, 2.9% u 2.4% rispettivament, jista' jintlaħaq, anki meta wieħed jikkunsidra t-tkabbir ta' 6.3% f'termini reali li seħħ fl-2015. Dan it-tbassir hu pjuttost viċin ta' tbassir imħejji minn entitajiet oħrajn, kemm lokali kif ukoll barranin.

Il-kontributuri għat-tkabbir tal-Prodott Gross Domestiku (PGD) f'termini reali huma mistennja li jvarjaw matul is-snин. Id-domanda lokali mistennija tkun is-sors ewljeni tat-tkabbir fis-snin kollha minbarra fl-2018, fejn hu mistenni li s-settur estern ikun is-sors ewljeni ta' tkabbir. Dawn il-prospetti huma kkundizzjonati mit-tbassir għat-twettiq tal-investiment fl-ekonomija Maltija. Dan għaliex numru ta' proġetti huma mistennija jitwettqu matul dan il-perjodu. Il-possibilità li xi proġetti ma jitwettqu jew jieħdu iktar bil-mod biex jitwettqu, tpoġgi element ta' riskju għat-tbassir dwar il-kontribut tal-investiment għat-tkabbir tal-PGD.

Fattur iehor ta' riskju għat-tkabbir ekonomiku f'termini reali huwa relatax max-xejriet fl-esportazzjoni, partikolarmen għat-tbassir iktar fil-futur. Dan peress li t-tbassir jistriħ fuq is-suppożizzjoni li r-rata ta' kambju tal-ewro tibqa kompetittiva, kif ukoll li l-imsieħba kummerċjali ewlenin ta' Malta ikollhom tkabbir ekonomiku tajjeb, f'kuntest ta' kundizzjonijiet ekonomiċi internazzjonali volatili.

L-infiq fuq il-konsum privat hu mistenni jiżdied, għalkemm mhux mistenni jżomm ir-rata ta' tkabbir għolja li ġiet irregistrata ghall-2015. L-MFAC jikkunsidra li t-tbassir dwar il-konsum privat huwa plawżibbli, meta meqjus f'kuntest tal-iżviluppi pozittivi riċenti fis-suq tax-xogħol, ikkaratterizzat minn tkabbir fl-impjieg u rata ta' qagħad baxxa, xenarju li mistenni jkompli jseħħi matul il-perjodu tat-tbassir.

Fl-ahħar nett, l-MFAC jinnota li t-tbassir tal-konsum tal-Gvern, ibbażat fuq l-ahħar stimi tal-Ministeru ghall-Finanzi, huwa ikkaratterizzat minn tkabbir kemmxjejn varjabbl matul is-snин. Il-plawżibbiltà tat-tbassir fiskali għall-perjodu sal-2019 ser tiġi evalwata fid-dettal f'rappor tieħor tal-MFAC li ser jiġi ippubblikat fil-ġimġħat li ġejjin.

Ir-rappor shiħi, bit-titlu “An Assessment of the Macroeconomic Forecasts for the Maltese Economy prepared by the Ministry for Finance in April 2016”, huwa disponibbli fuq is-sit elettroniku tal-MFAC: <http://www.mfac.gov.mt>.