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PRESS RELEASE

Malta Fiscal Advisory Council publishes an overall assessment of the Medium-Term Fiscal Strategy for Malta 2016 – 2019

On 30 June 2016, the Malta Fiscal Advisory Council (MFAC) presented to the Minister for Finance its overall assessment of the Medium-Term Fiscal Strategy for Malta for the period 2016 - 2019, which was tabled in Parliament on 13 June 2016.

The Council welcomes the Government's target of a budget surplus of 0.1% of Gross Domestic Product (GDP) by 2019, on the basis of the planned yearly improvements in the general government balance, both in absolute terms and when expressed as percentage of GDP. This consolidation strategy is mainly supported by the ongoing buoyancy in tax revenues and the planned expenditure restraint, which should cut down expenditure as a proportion of GDP, from 43.3% in 2015, to 38.3% in 2019. The Council notes positively that the Government's reliance on one-off measures is limited throughout the forecast horizon, which is desirable from a prudential perspective.

While welcoming the further drive towards expenditure restraint, the Council considers that this may be increasingly harder to maintain over the medium term, unless supported by permanent structural changes. The Council therefore encourages further initiatives towards efficiency gains in public services and more structural reforms, spearheaded by the findings from the Comprehensive Spending Reviews, which have recently been undertaken in the areas of health and education, as has been the case in the area of social benefits.

The Council notes that in 2015, the deficit-to-GDP ratio, at 1.5%, was slightly better than the target. Moreover, the reduction in the debt-to-GDP ratio during 2015 complied with the required progress which is necessary to ensure that this ratio converges towards the 60% threshold applicable to EU Member States. However, the Council also notes that the conduct of fiscal policy in 2015 did not fulfil the other two criteria that are normally taken into account to assess compliance with the requirements of the Stability and Growth Pact. Specifically, when one removes the impact of the economic cycle and one-off effects, the change in the structural balance fell short of the required improvement of 0.6 percentage points, partly due to the fact that the measured economic growth proved to be insufficiently

tax-rich. The expenditure benchmark, which establishes limits on the permissible growth in expenditure, was also exceeded, in part because of the co-financing national expenditures necessary to absorb EU funds under the 2007 - 2013 Programme, before their expiry.

The Council welcomes the planned effort on the side of Government to ensure that, as projected, public finance developments comply more closely with the requirements of the Stability and Growth Pact over the years 2016 and 2017. This effort includes a supplementary €15 million in expenditure restraint planned for 2016 featuring in the Medium-Term Fiscal Strategy document. While acknowledging that the evaluation of structural conditions could be rather challenging, the Council encourages the Ministry for Finance to give increased attention to the structural balance. This is important as ultimately the European Commission evaluates progress towards the Medium Term Objective on the basis of developments in the structural balance rather than the general government balance.

The Council also takes note of the long-term projections presented by the Ministry for Finance on demographic changes up to 2060, and their expected fiscal impact. These clearly indicate that whereas in the short and medium term, risks to fiscal sustainability appear to be low, in the long term the cost of ageing poses medium risks. The Government is thus invited to utilise the current benign macroeconomic conditions to address these expenditure challenges, through further strategic choices, aimed to safeguard public finances from undue future pressures.

The full report, entitled “An Overall Assessment of the Medium-Term Fiscal Strategy for Malta 2016 – 2019”, is available on the website of the MFAC <http://www.mfac.gov.mt>.

4 ta' Lulju 2016

STQARRIJA GHALL-ISTAMPA

II-Kunsill Fiskali Konsultattiv Malti jippubblika I-evalwazzjoni ġeneral tiegħu tal-iStrategija Fiskali ta' Terminu Medju għal Malta 2016 – 2019

Fit-30 ta' Ġunju 2016, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta lill-Ministru ghall-Finanzi 1-evalwazzjoni ġenerali tiegħu tal-iStrategja Fiskali ta' Terminu Medju għal Malta għall-perjodu 2016 – 2019, li ġiet imressqa fil-Parlament fit-13 ta' Ġunju 2016.

Il-Kunsill jinnota b'mod požittiv l-objettiv tal-Gvern għal ‘surplus’ fil-baġit ta’ 0.1% tal-Prodott Gross Domestiku (PGD) sal-2019, permezz ta’ titjib kull sena fil-bilanc tal-Gvern estiż, kemm f’terminu assolut, kif ukoll bħala persentaġġ tal-PGD. Il-konsolidazzjoni hija l-iktar meghħjuna minn xejriet fil-ġbir tat-taxxi, kif ukoll pjanijiet ta’ kontroll fuq l-ispiża, li għandhom jaqtgħu l-ispiża meta mqabbla mal-PGD, minn 43.3% fl-2015 għal 38.3% fl-2019. Il-Kunsill jinnota li d-dipendenza fuq miżuri ta’ darba huma limitati tul il-perjodu tat-tbassir, xi ħaga li hi meqjusa bħala prudenti.

Filwaqt li 1-Kunsill jilqa b'mod požittiv il-pjan ta’ kontroll fuq l-ispiża, dan jista’ jkun iktar diffiċċi biex jinżamm fit-terminu medju, jekk ma jkunx meghħjun b'riformi strutturali fl-ekonomija. Il-Kunsill għalhekk iheġġeġ favur iktar inizjattivi sabiex tiżidied l-effiċċjenza fissettur pubbliku u jsiru iktar riformi strutturali, msejjsa fuq l-informazzjoni li nġabret mir-Reviżjonijiet Komprensivi tal-Infiq li thejjew għas-setturi tas-sahħha u tal-edukazzjoni, hekk kif sar fil-qasam tal-benefiċċji soċjali.

Il-Kunsill jinnota li fl-2015, id-defiċit ta’ 1.5% meta mqabbel mal-PGD, kien ħarira ahjar mill-mira. Barra minn hekk, it-naqqis tad-dejn bħala proporzjon tal-PGD matul l-2015 ikkonforma mal-progress meħtieġ sabiex jiġi żgurat li d-dejn jersaq lejn il-limitu ta’ 60% applikabbi għall-Istati Membri tal-Unjoni Ewropea. Mill-banda l-oħra, il-Kunsill jinnota wkoll li fl-2015, it-thaddim tal-politika fiskali ma ssodisfatx iż-żewġ kriterji l-oħra li normalment jitqiesu fl-evalwazzjoni tal-konformità mar-rekwiziti tal-Patt ta’ Stabbilità u t-Tkabbir. Speċifikament, meta wieħed inehhi l-impatt taċ-ċiklu ekonomiku u l-effetti tal-miżuri ta’ darba, il-bidla fil-bilanc strutturali kienet inqas mit-titjib mitlub ta’ 0.6 punti perċentwali. Dan seħħi peress li t-tkabbir ekonomiku ma wassalx għal židiet daqstant għoljin fit-taxxi. Il-parametru referenzjajru tan-nefqa, li jindika l-limitu fuq it-tkabbir permissibbi fl-ispiża, ukoll kien maqbuż, anki minħabba l-infiq relataż mal-kofinanzjament tal-fondi tal-Unjoni Ewropea taħt il-Programm 2007 – 2013, qabel mat-terminu tal-użu tagħhom jiskadi.

Il-Kunsill jilqa' l-isforz ippjanat mill-Gvern sabiex jiġgura li, hekk kif imbassar, il-finanzi pubbliċi jikkonformaw aktar mill-qrib mar-rekwiżiti tal-Patt ta' Stabbilità u t-Tkabbir matul is-snin 2016 u 2017. Dan jinkludi wkoll €15-il miljun tnaqqis supplementari fl-ispiża li ġie miżjud fid-dokument tal-iStrategija Fiskali ta' Terminu Medju. Filwaqt li jirrikonoxxi li l-evalwazzjoni tal-kundizzjonijiet strutturali tista' tkun pjuttost diffiċeli, il-Kunsill iħegġeġ lill-Ministeru għall-Finanzi sabiex jagħti iktar attenzjoni lejn il-bilanċ fiskali strutturali. Dan hu importanti peress li l-Kummissjoni Ewropea tevalwa l-progress lejn l-Objettiv Baġitarju ta' Terminu Medju abbaži tal-iżviluppi fil-bilanċ strutturali u mhux fil-bilanċ tal-Gvern estiż.

Il-Kunsill jinnota wkoll it-tbassir mill-Ministeru għall-Finanzi dwar it-tibdil demografiku sas-sena 2060, u l-impatt li dan jista' jgħib miegħu. Dan jindika li r-riskji għas-sostenibbiltà fiskali huma baxxi fit-terminu ta' żmien qasir u medju. Madanakollu, għat-terminu iktar fil-bogħod jidħru ċerti riskji, minħabba li l-popolazzjoni ta' Malta qed tixxieħ. Il-Gvern huwa għalhekk mistieden sabiex juža l-kundizzjonijiet makroekonomiċi favorevoli ta' bħalissa sabiex jindirizza dawn l-isfidi għall-infiq, permezz ta' iktar għażiex strategiċi li jipproteġu l-finanzi pubbliċi minn pressjonijiet fil-futur.

Ir-rapport shiħiħ, bit-titlu ta' "An Overall Assessment of the Medium-Term Fiscal Strategy for Malta 2016-2019" huwa disponibbli fuq is-sit elettroniku tal-MFAC <http://www.mfac.gov.mt>.