

1 August 2016

PRESS RELEASE

Malta Fiscal Advisory Council publishes its assessment of the 2015 Annual Report published by the Ministry for Finance

On 29 July 2016, the Malta Fiscal Advisory Council (MFAC) presented to the Minister for Finance its assessment of the 2015 Annual Report published by the Ministry for Finance on 30 June 2016. The Annual Report and the related assessment by the Council are both mandated by the Fiscal Responsibility Act. The main purpose of the Annual Report is to provide explanations about the deviations between the actual and forecasted macroeconomic and fiscal developments during the preceding year.

The Council notes that in 2015, Malta's nominal and real GDP both grew significantly more than originally projected. This enabled the fiscal deficit to decline from 2.0% of GDP in 2014 to 1.5% in 2015, slightly less than the initial target of 1.6%.

Buoyant labour market conditions generated additional tax revenues in 2015, though the improvement in public finances was partially contained as a result of some expenditure slippages, when compared to the original plans. In this respect, the Council considers that the robustness of the overall expenditure restraint targets can be enhanced through further expenditure rationalisation underpinned by the findings of the various Comprehensive Spending Reviews undertaken by the Finance Ministry. At the same time, the Council recommends that possible revenue windfalls should not be viewed as an opportunity to extend further permanent expenditure initiatives.

Notwithstanding the improvement in the deficit-to-GDP ratio when measured according to the European System of National and Regional Accounts, the Council notes that in structural terms, that is, when netting out cyclical and temporary effects, the underlying fiscal balance remained stable on a year earlier. The latter implies that no structural fiscal adjustment was undertaken in 2015, thus falling short of the 0.7 percentage point of GDP structural effort that had been originally planned and the 0.6 percentage point of GDP improvement requested by the European Commission in its Country Specific Recommendations in terms of the Stability and Growth Pact.

The Council acknowledges that the lack of structural fiscal consolidation during 2015 was attributable to a number of special circumstances, such as the material difference between the expected and the realised macroeconomic conditions during 2015, the organisation of international events which were unplanned, as well as the additional expenditures necessary to absorb the remaining EU funds for the Programme Period 2007 – 2013 before their expiry. At the same time, the Council invites the Ministry for Finance to maintain closer surveillance of ongoing macroeconomic developments and to remain vigilant so as to ensure that the planned structural adjustment for 2016, equivalent to 0.8 percentage points of GDP, is met.

As for compliance with the debt rule, the Council views positively the further scaling back of the debt-to-GDP ratio from 67.1% in 2014 to 63.9%, significantly faster than the 66.8% which was originally targeted for 2015.

The assessment report published by the Council includes a number of other recommendations addressed to the Ministry for Finance. In particular, the Council draws attention to the fact that the Stability and Growth Pact specifies an expenditure benchmark, which euro-area Member States must adhere to in terms of the Stability and Growth Pact. Therefore, the Council considers the evaluation of compliance with the expenditure benchmark of importance, and in this respect, would welcome the possibility that the Ministry for Finance also dedicates a specific section in its Annual Report to the analysis of compliance with the expenditure benchmark.

Moreover, in order to strengthen further the institutional dialogue, and add more fiscal transparency, the Council invites the Ministry for Finance to evaluate the merit of using its Annual Report to make public its views on the various recommendations made by the Council throughout the year.

The full report, entitled “An Assessment of the Annual Report 2015 published by the Ministry for Finance”, is available on the website of the MFAC <http://www.mfac.gov.mt>.

1 ta' Awwissu 2016

STQARRIJA GHALL-ISTAMPA

Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni tiegħu dwar ir-Rapport Annwali għall-2015 ippubblikat mill-Ministeru għall-Finanzi.

Fid-29 ta' Lulju, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta lill-Ministru għall-Finanzi l-evalwazzjoni tiegħu tar-Rapport Annwali għall-2015, li ġie ippubblikat mill-Ministeru għall-Finanzi fit-30 ta' Ĝunju 2016. Ir-Rapport Annwali u l-evalwazzjoni tiegħu mill-MFAC huma t-tnejn stabbiliti fl-Att dwar ir-Responsabbilità Fiskali. L-ghan ewljeni tar-Rapport Annwali huwa li jipprovd spiegazzjonijiet fuq id-differenzi fl-iżviluppi makroekonomiċi u fiskali bejn dawk li attwalment seħħew u dawk li kienu imbassra fis-sena ta' qabel.

Il-Kunsill jinnota li fl-2015, it-tkabbir fil-Prodott Gross Domestiku (PGD) ta' Malta, kemm f'termini nominali kif ukoll f'termini reali, kien considerevolment iktar milli imbassar. Dan għen sabiex id-defiċit fiskali jinżel minn 2.0% tal-PGD fl-2014 għal 1.5% fl-2015, kemmxejn inqas mill-mira inizzjali ta' 1.6% tal-PGD.

Xejriet pozittivi fis-suq tax-xogħol iġġeneraw iktar dħul minn taxxi fl-2015, għalkemm it-titjib fil-finanzi pubbliċi kien parzialment limitat minn infiq iktar milli ippjanat. F'dan ir-riġward, il-Kunsill jikkunsidra li sabiex iseħħ it-naqqis fl-ispiża hekk kif ippjanat, hemm bżonn ta' iktar razzjonalizzazzjoni fl-infiq, ukoll bl-ghajnuna ta' numru ta' eżerċizzji ta' Reviżjonijiet Komprensivi tal-Infiq li saru mill-Ministeru għall-Finanzi. Fl-istess hin, il-Kunsill jirrakkomanda li jekk ikun hemm dħul iktar milli mistenni, dan ma jiġix meqjus bħala opportunità sabiex jiżdied iktar infiq, speċjalment dak ta' natura permanenti.

Minkejja it-titjib fid-defiċit bħala proporzjon tal-PGD, kif imkejjel skont is-Sistema Ewropea ta' Kontijiet Nazzjonali u Reġjonali, il-Kunsill jinnota li f'termini strutturali, jiġifieri wara li jitneħħew l-effetti taċ-ċiklu ekonomiku u l-effetti temporanji kif imkejla mill-Kummissjoni Ewropea, il-bilanc fiskali strutturali baqa' l-istess bħal ma' kien is-sena ta' qabel. Dan ifisser li l-ebda aġġustament strutturali fiskali ma seħħ fl-2015 u allura, dan huwa 0.7 punt perċentwal tal-PGD inqas mill-aġġustament li originarjament kien ippjanat, u 0.6 punt perċentwal tal-PGD inqas milli stabbilit mill-Unjoni Ewropea fir-Rakkmandazzjonijiet Specifiċi għall-Pajjiż skont il-Patt ta' Stabbilità u t-Tkabbir.

Il-Kunsill jirrikonoxxi li n-nuqqas ta' konsolidazzjoni fiskali f'termini strutturali matul l-2015 wasal minħabba numru ta' ċirkostanzi speċjali, bħal id-differenza bejn il-kundizzjonijiet makroekonomiċi li kienu mistennija u dawk li attwalment seħħew matul l-2015, l-organizzazzjoni ta' avvenimenti internazzjonali li ma kienux inizjalment ippjanati, u kif ukoll l-infiq addizzjonal neċċessarju sabiex jiġu użati l-fondi tal-UE mill-Perijodu ta' Programmazzjoni 2007-2013, qabel ma' dawn jiskadu. Fl-istess waqt, il-Kunsill jistieden lill-Ministeru għall-Finanzi sabiex iżomm sorveljanza aktar mill-qrib tal-iżviluppi makroekonomiċi u sabiex jibqa' kawt ħalli jassigura li l-aġġustament strutturali għall-2016, li huwa pjanat li jkun 0.8 punt perċentwal tal-PGD, jintlaħaq.

Minn naħa tal-konformità mar-regola tad-dejn, il-Kunsill iqis pozittivament it-tnaqqis tad-dejn meta mqabbel mal-PGD, minn 67.1% fl-2014 għal 63.9%, li huwa tnaqqis sostanzjalment iktar mgħażżeġ mill-mira originali ta' 66.8%.

L-evalwazzjoni tar-Rapport mill-Kunsill tinkludi ukoll numru ta' rakkmandazzjonijiet indirizzati lill-Ministeru għall-Finanzi. Partikolarment, il-Kunsill jixtieq li tingħata iktar attenzjoni lejn il-parametru referenzjarju tan-nefqa, li jinsab fil-Patt ta' Stabbilità u t-Tkabbir, u li Membri taż-żona euro għandhom jaderixxu miegħu. Il-Kunsill jikkunsidra l-evalwazzjoni tal-konformità mal-parametru referenzjarju tan-nefqa bħala mportanti, u f'dan ir-rigward, jinkoragħixxi li l-Ministeru għall-Finanzi ukoll jiddedika sezzjoni specifika fir-Rapport Annwali tiegħu għall-analizi dwar il-konformità ma' dan il-parametru.

Barra minn hekk, il-Kunsill jistieden lill-Ministeru għall-Finanzi biex jevalwa l-possibilità li r-Rapport Annwali jintuża wkoll sabiex pubblikament juri l-opinjonijiet tiegħu dwar ir-rakkmandazzjonijiet varji li jkunu saru mill-Kunsill matul is-sena. Dan għandu jgħin sabiex jiissaħħa aktar id-djalogu istituzzjonal u sabiex tiżdied it-trasparenza fiskali.

Ir-rapport shiħi tal-Kunsill, bit-titlu ta' "An Assessment of the Annual Report 2015 published by the Ministry for Finance", huwa disponibbli fuq is-sit elettroniku tal-MFAC <http://www.mfac.gov.mt>.