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PRESS RELEASE

Malta Fiscal Advisory Council publishes its assessment of the 2016 Half-Yearly Report published by the Ministry for Finance

On 31 August 2016, the Malta Fiscal Advisory Council (MFAC) presented to the Minister for Finance its assessment of the 2016 Half-Yearly Report which was tabled in Parliament on 25 July 2016. The Half-Yearly Report reviews the macroeconomic and fiscal developments since the presentation of the last Budget in October 2015 and the submission of the Update of Stability Programme to the European Commission in April 2016. The Half-Yearly Report together with the Council's assessment, are both mandated by the Fiscal Responsibility Act.

The Council notes that the Half-Yearly Report reconfirmed the GDP growth forecasts for 2016, at 6.8% in nominal terms, and at 4.2% in real terms. The Council considers that, on the basis of the justifications provided in the Half-Yearly Report for the unchanged macroeconomic projections, as well as the additional information on GDP, inflation and labour market statistics published to date, these growth rates remain within the MFAC's endorsable range.

At the same time, the Council notes that the Government has fine-tuned its revenue and expenditure projections for 2016. In particular, the Council welcomes the fact that when compared to the original Budget estimates, the Government is targeting lower deficit and debt ratios. The updated fiscal deficit target for 2016 has in fact been revised from €102 million or 1.1% of GDP to €70 million, or 0.74% of GDP, while the target for the public debt-to-GDP ratio was scaled down from 65.2% to 62.4%. These revisions are consistent with the more buoyant economic outlook and prudent policy making. The Council considers positively the Ministry's intention to utilise most of the additional revenue procured towards fiscal consolidation.

Total revenue and total expenditure for the first six months of 2016 represented 47.2% and 47.3% of the targeted amounts, respectively. The Council considers that these six-monthly fiscal developments are generally conducive to the attainment of the 2016 fiscal targets. The Council invites the Government to remain vigilant, noting that the actual spending as per cent

of the approved Budget estimates for the year varies significantly across expenditure vote categories. The Council is aware of possible timing issues, as well as the practice whereby budget expenditure allocations can be re-allocated across ministries intra-year, in order to ensure that the overall targets are respected. It is however important that such a practice would be accompanied by further savings which could be achieved on the basis of the findings emerging from the series of Comprehensive Spending Reviews.

The Council welcomes the progress achieved in the collection of revenue arrears and the decline in the outstanding creditors. Indeed, it is important that outstanding arrears, both for revenues and expenditures are kept under check. With regard to public debt management, the Council welcomes the fact that during the first half of 2016, the Government managed to extend the maturity of its debt, to take advantage of the current low interest rate environment.

In terms of content to be included in the Half-Yearly Report, the Council considers that the Report broadly meets the requirements prescribed in the Fiscal Responsibility Act. However, the Act also requires more detailed information about the absorption of European Union funds and the results achieved. Such funds play an important role within the Budget, and the Council therefore invites the Ministry for Finance to document progress in this regard more thoroughly in the Report.

The full report, entitled “An Assessment of the Half-Yearly Report 2016 published by the Ministry for Finance”, is available on the website of the MFAC <http://www.mfac.gov.mt>.

1 ta' Settembru 2016

STQARRIJA GHALL-ISTAMPA

Il-Kunsill Fiskali Konsultattiv Malti (MFAC) jippubblika l-evalwazzjoni tiegħu tar-Rapport ta' Nofs is-Sena ghall-2016 ippubblikat mill-Ministeru ghall-Finanzi

Fil-31 ta' Awwissu 2016, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta lill-Ministru ghall-Finanzi l-evalwazzjoni tiegħu dwar ir-Rapport ta' Nofs is-Sena ghall-2016, li ġie mressaq fil-Parlament fil-25 ta' Lulju 2016. Ir-Rapport ta' Nofs is-Sena jħares lejn ix-xejriet makroekonomici u dawk fiskali minn meta ġie pprezentat l-aħħar Bagit f'Ottubru 2015 u mis-sottomissjoni tal-Äggornament tal-Programm ta' Stabbilità lill-Kummissjoni Ewropea f'April 2016. Ir-Rapport ta' Nofs is-Sena flimkien mal-evalwazzjoni mill-Kunsill dwar l-istess rapport, huma t-tnejn mitluba mill-Att dwar ir-Responsabbilità Fiskali.

Il-Kunsill jinnota li r-Rapport ta' Nofs is-Sena kkonferma t-tbassir tat-tkabbir fil-Prodott Gross Domestiku (PGD) ghall-2016, ta' 6.8% f'termini nominali, u ta' 4.2% f'termini reali. Il-Kunsill iqis dawn ir-rati ta' tkabbir bhala plawżibbli u aċċettabbli, fl-isfond tal-ġustifikazzjonijiet li nghataw fir-Rapport ta' Nofs is-Sena sabiex it-tbassir makroekonomiku ma jinbidilx, u tal-informazzjoni dwar il-PGD, l-inflazzjoni u s-suq tax-xogħol ippublikata s'issa.

Fl-istess hin, il-Kunsill jinnota li l-Gvern, abbaži ta' žviluppi riċenti, irreveda xi ffit it-tbassir dwar l-infiq u d-dħul tiegħu ghall-2016. Partikolarment, il-Kunsill jilqa' l-fatt li meta mqabbla mal-istimi originali tal-Bagħit, il-Gvern qed jimmira għal deficit u dejn iktar baxxi, bhala proporzjon tal-PGD. Il-mira tad-deficit fiskali ghall-2016 għalhekk ġiet riveduta, minn €102 miljuni, jew 1.1% tal-PGD, għal €70 miljun, jew 0.74% tal-PGD, u l-mira tad-dejn pubbliku ġiet imnaqqsa minn 65.2% għal 62.4% tal-PGD. Dawn ir-reviżjonijiet huma konsistenti max-xejriet ekonomiċi iktar favorevoli u politika fiskali prudenti. Il-Kunsill jikkunsidra b'mod pozittiv l-intenzjoni tal-Ministeru sabiex jekk ikun hemm dħul iktar milli mistenni dan jiġi użat għal iktar konsolidazzjoni fiskali.

Id-dħul u l-infiq għall-ewwel sitt xhur tal-2016 laħqu 47.2% u 47.3% tal-mira sal-aħħar tas-sena, rispettivament. Il-Kunsill iqis li l-iżviluppi fl-ewwel sitt xhur jippermettu li l-miri fiskali sal-aħħar tas-sena jintlaħqu. Il-Kunsill xorta jistieden lill-Gvern sabiex jibqa' viġilanti, anki peress li 1-ispiża attwali bħala persentagg tal-istimi approvati tal-Baġit għas-sena ivarjaw sinifikament bejn il-voti. Il-Kunsill huwa konxju tal-possibilità ta' fatturi ta' żmien u anke tal-prattika li l-allokazzjonijiet tal-infiq tal-Baġit jistgħu jitqassmu b'mod differenti bejn il-Ministeri matul is-sena. Dan sabiex jiġi żgurat li l-miri ta' infiq jiġu rispettati. Huwa mportanti li din il-prattika tīgi akkumpanjata b'iktar tfaddil li jista' jsir abbaži tal-informazzjoni li tingabar mis-serje ta' eżerċizzi fid-diversi Ministeri magħrufa bħala Reviżjonijiet Komprensivi tal-Infiq.

Il-Kunsill jinnota l-progress li sar fil-ġbir ta' arretrati ta' dħul u t-tnaqqis ta' kredituri pendenti. Huwa mportanti li arretrati pendenti, kemm fl-infiq, kif ukoll fid-dħul, jibqgħu dejjem taħt skrutinju. Dwar l-immaniġġjar tad-dejn pubbliku, il-Kunsill jilqa' l-fatt li fl-ewwel nofs tal-2016, il-Gvern estenda l-maturità tad-dejn tiegħu, sabiex jieħu vantagg mill-interessi baxxi ta' bħalissa.

Dwar il-kontenut specifiku li għandu jiġi inkluż fir-Rapport ta' Nofs is-Sena, il-Kunsill jikkunsidra li r-Rapport ġeneralment jissodisfa dak li huwa mitlub mill-Att dwar ir-Responsabbilità Fiskali. Mandankollu, l-Att jitlob ukoll iktar informazzjoni dwar l-użu tal-fondi tal-Unjoni Ewropea u r-riżultati milħuqa. Dawn il-fondi għandhom rwol importanti fil-kuntest tal-Baġit, u għalhekk, il-Kunsill jirrakkomanda li l-progress f'dan ir-rigward għandu jiġi dokumentat b'iktar dettall fir-Rapport.

Ir-Rapport shiħi, bit-titlu ta' "An Assessment of the Half-Yearly Report 2016 published by the Ministry for Finance", huwa disponibbli fuq is-sit elettroniku tal-MFAC <http://www.mfac.gov.mt>.