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PRESS RELEASE

Malta Fiscal Advisory Council publishes its assessment of the Government's macroeconomic forecasts presented within the Update of Stability Programme 2018 – 2021

On 30 April 2018, the Malta Fiscal Advisory Council (MFAC) presented its assessment of the macroeconomic forecasts for the Maltese economy prepared by the Ministry for Finance as part of the Update of Stability Programme 2018 – 2021.

The Fiscal Council considers the official real GDP growth forecasts for the period 2018 to 2021, respectively amounting to 6.1%, 5.3%, 4.8% and 4.6%, to lie within its endorsable range. These growth rates are judged to be compatible with the assumptions employed and the estimated economic relationships. These projections also appear to be cautious, in that they represent a gradual moderation compared to the growth recorded during the previous five years.

The Council notes that the latest available real GDP growth forecasts produced by other institutions, namely the Central Bank of Malta, the European Commission and the International Monetary Fund, portray a similar scenario of gradual moderation in economic growth and range within one percentage point for practically all the available years. The fact that different independent institutions share a similar overall outlook for the Maltese economy, strengthens the confidence in such forecasts.

As for the sectoral drivers of the projected expansion trajectory, the Council notes that both domestic demand and net exports are expected to contribute positively to economic growth throughout the four-year horizon. Domestic demand is expected to be the main source of growth in each of the forecast years, but its contribution is expected to vary in intensity across the years.

The volatility in investment, whose forecast growth rates range between 2.6% and 10.0%, is a recurring element of uncertainty, which can be both upside or downside. On the other hand, private consumption, which is the main component of domestic demand, is expected to grow by 4.4% in 2018, in line with the actual turnout in 2017. Subsequently it is set to ease slightly in each of the outer forecast years, to 3.3% by 2021. The Council understands that such forecasts are driven by the expectation that labour market developments will remain benign, characterised by rising employment levels, rising real wages and low unemployment rates. With respect to the projected

Government consumption, the Council takes note that these are based on the updated Government expenditure forecasts, and the assumptions about the expected future yield from the Individual Investor Programme. In relation to exports, the Council notes the generally stable forecast for export growth, around 3% annually. This appears consistent with the continued pick-up in Malta's main trading partners and the positive outlook for certain sectors. In the case of imports, their growth is expected to range between 1.6% and 2.9%, with the yearly fluctuations compatible with the developments in domestic demand and its composition.

Overall, the Fiscal Council views the balance of risks to GDP growth for the period 2018 to 2021 as broadly neutral, with the possible downside risks associated to the external sector likely to be compensated for by possible upside risks related to domestic demand.

The full report, entitled “Assessment of the Macroeconomic Forecasts – Update of Stability Programme 2018 – 2021”, is available on the website of the MFAC <http://www.mfac.org.mt>.

4 ta' Mejju 2018

STQARRIJA GHALL-ISTAMPA

Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni tat-tbassir makroekonomiku tal-Gvern hekk kif ipprezentat fl-Aġġornament tal-Programm ta' Stabbiltà 2018 – 2021

Fit-30 ta' April 2018, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta l-evalwazzjoni tat-tbassir makroekonomiku għall-ekonomija Maltija kif ippreparat mill-Ministeru għall-Finanzi bħala parti mill-Aġġornament tal-Programm ta' Stabbiltà 2018 – 2021.

Il-Kunsill Fiskali jikkunsidra t-tbassir tat-tkabbir reali fil-Prodott Gross Domestiku (PGD) għall-perjodu 2018 sal-2021, ta' 6.1%, 5.3%, 4.8% u 4.6% rispettivament, bħala plawżibbli. Dawn ir-rati ta' tkabbir huma meqjusa bħala kompatibbli mas-suppożizzjonijiet użati u l-istimi tar-relazzjonijiet ekonomiċi. Dawn il-previżjonijiet jidhru wkoll li huma kawti, minhabba li jirrapreżentaw moderazzjoni gradwali meta mqabbla mat-tkabbir irreggistrat matul il-ħames snin li ghaddew.

Il-Kunsill jinnota li l-aħħar tbassir disponibbli tat-tkabbir fil-PGD, f'termini reali, minn istituzzjonijiet oħra, fosthom il-Bank Ċentrali ta' Malta, il-Kummissjoni Ewropea u l-Fond Monetarju Internazzjonali, juru xejriet simili ta' moderazzjoni gradwali fit-tkabbir ekonomiku. Il-varjazzjoni fit-tbassir ta' dawn l-istituzzjonijiet meta mqabbla ma' dawk tal-Ministeru għall-Finanzi hija ġeneralment sa massimu ta' punt perċentwali għas-snin kollha disponibbli. Il-fatt li istituzzjonijiet indipendenti għandhom perspettiva simili għall-ekonomija Maltija, isaħħa il-fiduċja f'dawn il-previżjonijiet.

Il-Kunsill jinnota li kemm id-domanda domestika kif ukoll l-esportazzjoni netta huma mistennija li jikkontribwi x Xu b'mod pozittiv għat-tkabbir ekonomiku matul l-erba' snin. Id-domanda domestika hija mistennija li tkun is-sors ewljeni ta' tkabbir f'kull sena, iżda l-kontribuzzjoni tagħha mistennija tvarja fl-intensità matul is-snин.

Il-volatilità fl-investiment, li t-tkabbir tiegħu huwa mbassar li jvarja bejn it-2.6% u l-10.0%, huwa element rikurrenti ta' incertezza, li tista' tkun kemm 'il fuq kif ukoll 'l-isfel. Mill-banda l-oħra, il-konsum privat, li huwa l-komponent ewljeni tad-domanda domestika, huwa mistenni li jikber b'4.4% fl-2018, simili ta' dak li ġara fl-2017. Sussegwentement, huwa mistenni li t-tkabbir jittaffa fit-tis-senja ta' wara, għal 3.3% sal-2021. Il-Kunsill jifhem li t-tbassir isegwi x-xejriet fis-suq taxxogħol li mistennija jibqgħu favorevoli, b'livelli ta' impjiegji jiż-żiedu, kif ukoll żieda fil-pagi f'termini reali u rata ta' qgħad baxxa. Rigward it-tbassir tal-konsum tal-Gvern, il-Kunsill jinnota li

dan huwa bbażat fuq il-previżjonijiet aġġornati tan-nefqa tal-Gvern, u s-suppożizzjonijiet dwar id-dħul mistenni mill-Programm tal-Investitur Individwali fis-snin li ġejjin. Dwar iż-żieda fl-esportazzjoni, il-Kunsill jinnota tbassir ġeneralment stabbli ta' madwar 3% kull sena. Dan jidher konsistenti mal-andament li mistenni jitjieb fl-ekonomiji tal-imsieħba kummerċjali ewlenin, u l-prospetti pozittivi għal certi setturi. Fil-każ tal-importazzjoni, it-tkabbir huwa mistenni li jvarja bejn 1.6% u 2.9%, bil-varjazzjonijiet ta' kull sena kompatibbli mal-iżviluppi fid-domanda domestika u l-komponenti tagħha.

Fuq nota ġenerali, il-Kunsill Fiskali jqis il-bilanċ tar-riskji għat-tkabbir fil-PGD għall-perjodu 2018 sal-2021 bħala ġeneralment newtrali. Hu possibli li t-tkabbir ikun inqas milli mistenni minħabba riskji ġejjin mis-settur estern, iżda dan ir-riskju huwa meqjus li jiġi kkumpensat mill-possibbiltà li d-domanda domestika tkun iktar b'saħħitha.

Ir-rapport shiħi, bit-titlu ta' "Assessment of the Macroeconomic Forecasts – Update of Stability Programme 2018 – 2021", huwa disponibbli fuq is-sit elettroniku tal-MFAC <http://www.mfac.org.mt>.