

30 November 2016

## PRESS RELEASE

### **Malta Fiscal Advisory Council publishes its assessment of the Government's fiscal forecasts presented within the Draft Budgetary Plan for 2017**

On 29 November 2016 the Malta Fiscal Advisory Council (MFAC) presented its assessment of the fiscal forecasts for the Maltese economy prepared by the Ministry for Finance as part of the Draft Budgetary Plan for 2017.

The Council has examined the various revenue and expenditure components within the budget, based on the information available to date. The Council considers that the fiscal deficit-to-GDP targets of 0.7% for 2016 and 0.5% for 2017 are within its endorsable range. Likewise, the debt-to-GDP targets of 63.3% for 2016 and 61.9% for 2017 are considered to be plausible. The Council understands that the planned improvement in the fiscal balance in both years is the result of expected larger increases in revenues than in expenditures, while the expansion in nominal GDP fully explains the anticipated lower debt-to-GDP ratio.

The Council considers that if recent revenue trends are maintained, and if labour market conditions remain buoyant, the projections for current taxes on income and wealth, as well as those for social contributions, may be higher than expected in both forecast years. On the other hand, one notes the presence of possible downside revenue risks relating to the absorption of EU funds in 2016 and of dividend earnings in 2017. On balance, however, the Council views greater the probability of upside risks for total revenue over both forecast years.

In turn, the attainment of the announced expenditure targets is conditional on successful restraint, through scaling back of a number of expenditure categories, in terms of their share in nominal GDP. This challenge appears rather significant in the case of the compensation of employees category. However, the Council's view is that for 2016 upside risk for this category is more than compensated for by the downside risk stemming from possibly lower-than-budgeted spending on investment financed through EU funds. On balance, the Council views downside risks for total expenditure in 2016.

On the other hand, for 2017, the balance of expenditure risks is on the upside. Apart from spending on compensation of employees, which may exceed targets, spending on intermediate consumption may also be higher than planned should the allocation for the EU Presidency be exceeded. Further upside risks relate to spending on social benefits, owing to the fact that the absolute budgeted increase is similar to that anticipated for 2016, notwithstanding the new expansionary measures announced in this field for 2017.

Nevertheless, on the basis of its risk assessment, the Council considers that there may be the opportunity for the fiscal balance both for 2016 and for 2017 to improve by more than is being targeted.

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

30 ta' Novembru 2016

## **STQARRIJA GHALL-ISTAMPA**

### **Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni tiegħu dwar it-tbassir fiskali tal-Gvern hekk kif ipprezentat fl-Abbozz tal-Pjan Baġitarju għall-2017**

Fid-29 ta' Novembru 2016, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta l-evalwazzjoni tiegħu tat-tbassir fiskali ppreparat mill-Ministeru għall-Finanzi bħala parti mill-Abbozz tal-Pjan Baġitarju għall-2017.

Il-Kunsill eżamina l-kategoriji ta' dħul u nfiq tal-Gvern kif preżentati fil-Baġit, abbaži tal-ahħar l-informazzjoni disponibbli. Il-Kunsill jikkunsidra li t-tbassir tad-deficit fiskali meta mqabbel mal-Prodott Gross Domestiku (PGD) ta' 0.7% għall-2016 u ta' 0.5% għall-2017 huma plawżibbli. Il-Kunsill iqis ukoll lit-tbassir tad-dejn bħala perċentwal tal-PGD ta' 63.3% għall-2016 u ta' 61.9% għall-2017 bħala plawżibbli. Il-Kunsill jifhem li t-titjib fil-bilanċ fiskali għal dawn is-sentejn huma riżultat ta' tkabbir ikbar fid-dħul meta mqabbel mal-infiq tal-gvern, filwaqt li t-tkabbir fil-PGD f'termini nominali jispjega t-tnaqqis li huwa mbassar fid-dejn bħala proporzjon mal-PGD.

Il-Kunsill jikkunsidra li jekk ix-xejriet pozittivi fid-dħul u fis-suq tax-xogħol ikomplu, it-tbassir għal dħul minn taxxi fuq id-dħul, kif ukoll mill-kontribuzzjonijiet socjali, jistgħu jkunu oħla milli mbassra għal dawn is-sentejn. Min-naħha l-oħra, jista' jkun hemm dħul iktar baxx milli mistenni minn fondi tal-Unjoni Ewropea għall-2016 u minn dħul ieħor f'forma ta' dividendi għall-2017. Minkejja dan, il-Kunsill xorta jara li hemm probabbilità kbira lid-dħul ikun iktar milli mistenni kemm għall-2016 u kif ukoll għall-2017.

Il-miri għan-nefqa tal-gvern huma msejsa fuq trażżeen f'diversi kategoriji ta' infiq, bħala persentaġġ tal-PGD. L-isfida tidher ikbar fil-każ tal-ispiża fuq pagi. Madankollu, fil-fehma tal-Kunsill, għall-2016, dan ir-riskju huwa aktar minn kumpensat b'possibiltà ta' infiq inqas fuq investimenti iffinanzjat mill-fondi tal-Unjoni Ewropea. Għalhekk, il-Kunsill iqis li hemm lok li l-infiq totali għall-2016 ikun inqas milli mistenni.

Mill-banda l-oħra, l-infiq jista' jkun iktar milli mistenni fl-2017. Apparti l-ispiżha fuq pagi, li tista' taqbeż il-mira, l-infiq fuq il-konsum intermedju jista' wkoll ikun iktar milli ppjanat jekk l-allokazzjoni li saret għall-infiq relatati mal-Presidenza tal-Unjoni Ewropea tinqabeż. Riskji oħrajn huma relatati ma' nfiq fuq beneficiċċi soċjali, anke minħabba l-fatt li ż-żieda ppjanata f'din il-kategorija hija simili għal dik anticipata għall-2016, minkejja li ġew imħabba miżuri godda f'dan il-qasam għall-2017.

Madankollu, abbaži tal-evalwazzjoni tar-riskji tiegħu, il-Kunsill jikkunsidra li jista' jkun hemm l-opportunità li l-bilanċ fiskali, kemm għall-2016 u anke għall-2017 jitjieb iktar milli mistenni.

Ir-rapport shiħi, intitolat “An Assessment of the Fiscal Forecasts for Malta prepared by the Ministry for Finance in October 2016”, huwa disponibbli fuq is-sit elettroniku tal-MFAC:  
<http://www.mfac.gov.mt>