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PRESS RELEASE

Malta Fiscal Advisory Council publishes its assessment of the Government's fiscal forecasts presented within the Update of Stability Programme 2017 – 2020

On 31 May 2017 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 Update of Stability Programme for the period 2017 to 2020, which was published on 2 May 2017.

The Council notes that the Government intends to maintain a fiscal surplus equivalent to 0.5% of GDP in each year between 2017 and 2020, after having achieved a fiscal surplus of 1.0% of GDP in 2016. The outturn in 2016 was better than originally targeted, with notable deviations as a result of higher-than-projected revenues derived from current taxes on income and wealth and from the Individual Investor Programme, and lower-than-planned spending on gross fixed capital formation.

The Council, after having scrutinised the various revenue and expenditure components within the budget, considers that the projected annual fiscal surplus for the period 2017 to 2020 is within its endorsable range. Likewise, the projected decline in the debt-to-GDP ratio, from 58.3% in 2016 to 47.5% by 2020, is considered to be plausible. Indeed, the Ministry's projections for both the fiscal balance and the public debt ratios are also within close range to those published by the European Commission in May 2017. The Council notes that the latest Update of Stability Programme projects a scaling back of both the revenue-to-GDP ratio and the expenditure-to-GDP ratio when compared to 2016, as both revenue and expenditure are projected to grow at a slower pace than nominal GDP.

In the Council's view, there may be upside risks to both total revenue and total expenditure throughout the forecast horizon. On the revenue side, the Council notes, in particular, the prudent assumptions employed by the Ministry in the projections for current taxes on income and wealth, as well as for taxes on production and imports. Turning to the expenditure side, the Council considers that the upside risks are mainly driven by the fact that the projections for compensation of employees and for intermediate consumption embed a certain element of restraint, which may be rather challenging to achieve. The magnitude of the upside risks regarding revenue and expenditure is broadly similar, and therefore the balance of risks with respect to the fiscal balance is considered by the Council to be neutral.

The Council's assessment was based on the information available in the latest Update of Stability Programme and does not take into consideration new fiscal proposals which were made after the publication of this Programme.

The full report, entitled "Assessment of the Fiscal Forecasts – Update of Stability Programme 2017 – 2020", is available on the website of the MFAC <http://www.mfac.org.mt>.

31 ta' Mejju 2017

STQARRIJA GHALL-ISTAMPA

Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni ġeneralis tiegħu dwar it-tbassir fiskali tal-Gvern hekk kif ipprezentat fl-Aġġornament tal-Programm ta' Stabbiltà 2017 – 2020.

Fil-31 ta' Mejju tal-2017, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta lill-Ministru għall-Finanzi l-evalwazzjoni tiegħu tat-tbassir fiskali li jinsab fl-Aġġornament tal-Programm ta' Stabbiltà 2017 – 2020, li kien ippubblikat fit-2 ta' Mejju tal-2017.

Il-Kunsill jinnota li wara *surplus* fiskali ta' 1.0% tal-Prodott Gross Domestiku (PGD) fl-2016, il-Gvern qed jimmira li jżomm il-bilanċ fiskali viċin 0.5% tal-PGD, għal kull sena bejn l-2017 u l-2020. Il-bilanċ fiskali fl-2016 kien ahjar milli kien mistenni, riżultat ta' dħul ogħla mit-taxxi kurrenti fuq id-dħul u mill-Programm tal-Investitur Individwali (IIP), kif ukoll infiq inqas fuq l-investiment, meta mqabbla ma' dak li kien previst.

Wara li eżamina bir-reqqa l-kategoriji varji ta' dħul u nfiq tal-Gvern, il-Kunsill jqis il-miri tas-*surplus* fiskali tul il-perjodu 2017 sa 2020 bħala plawżibbli. Il-Kunsill iqis t-tnaqqis mistenni fil-proporzjon tad-dejn mal-PGD, minn 58.3% fl-2016 għal-47.5% sal-2020, ukoll bħala plawżibbli. L-MFAC jinnota li t-tbassir tal-Gvern, kemm għall-bilanċ fiskali, kif ukoll għall-proporzjon tad-dejn mal-PGD, huma viċin meta mqabbla mal-ahħar tbassir mill-Kummissjoni Ewropea li sar f'Mejju tal-2017. Il-Kunsill jinnota li l-ahħar Aġġornament tal-Programm ta' Stabbiltà 2017 – 2020 ibassar tnaqqis fi-dħul u l-infiq bħala proporzjon tal-PGD meta mqabel mal-2016, peress li kemm id-dħul kif ukoll l-infiq mistennija jikbru b'rata inqas mill-PGD, f'termini nominali.

Fil-fehma tal-Kunsill, kemm id-dħul kif ukoll l-infiq totali jistgħu jkunu saħansitra ogħla milli mbassar. Minn naħha tad-dħul, il-Kunsill jinnota partikolarmen is-suppożizzjonijiet prudenti li ittieħdu minn naħha tal-Ministeru għat-tbassir tat-taxxi kurrenti fuq id-dħul, kif ukoll dawk fuq il-produzzjoni u l-importazzjoni. Minn naħha tal-infiq, il-Kunsill iqis li r-riskji 'l fuq huma l-aktar dovuti għall-fatt li t-tbassir tal-pagi u tal-konsum intermedju jassumu ċertu element ta' trażżeen, li jista' jkun xi ftit diffiċċli sabiex jintleħaq. L-effett tar-riskji fuq id-dħul u l-infiq huwa simili u għalhekk, ir-riskji għall-bilanċ fiskali huma meqjusa newtri mill-Kunsill.

L-evalwazzjoni tal-Kunsill kienet ibbażata fuq l-informazzjoni li tinsab fl-Aġġornament tal-Programm ta' Stabbiltà 2017 – 2020, u ma' jqisx il-proposti dwar dhul u infiq li ġew msemmija wara li ġie ippubblikat dan ir-Rapport.

Ir-rapport shiħi, bit-titlu ta' "An Assessment of the Fiscal Forecasts – Update of Stability Programme 2017 – 2020" huwa disponibbli fuq is-sit elettroniku tal-MFAC <http://www.mfac.org.mt>.