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MALTA FISCAL ADVISORY COUNCIL

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PRESS RELEASE

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

On 14 October 2016 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 Draft Budgetary Plan for 2017.

The Council considers that on the basis of the information available to date, the official real GDP growth forecasts of 3.9% for 2016, and 3.5% for 2017, appear to be feasible and achievable. The Ministry's expectation of a moderate deceleration in the pace of economic expansion, which follows the exceptional 6.2% real GDP growth registered in 2015, is considered to be a prudent approach. Likewise, the nominal GDP growth forecasts of 5.7% for 2016 and 5.8% for 2017, following the 8.6% nominal expansion of 2015, lie within the Council's endorsable range.

The Council observes that according to the Ministry's projections, real GDP growth is expected to be mainly driven by domestic demand in both 2016 and 2017. On the other hand, the Council notes that net exports are expected to contribute only marginally to GDP growth in 2016 and to dampen GDP growth in 2017 as the expansion rate of imports of goods and services is projected to outpace that of exports. The Council acknowledges that such pattern is consistent with the anticipated trajectory for robust gross fixed capital formation, which in the case of Malta generally entails a high import content. Export growth, which is expected to decelerate marginally in 2016 and pick up again in 2017, appears to be achievable, as it is consistent with the profile for the international assumptions as well as being comparable with recent developments.

At the same time, the anticipated labour market conditions and the expected developments in real disposable income sustain the plausibility of the forecast growth rates in real private consumption. The forecast employment growth and the low unemployment rate appear to be consistent with the recent trends observed in the labour market and the government's active labour market policies implemented in this area.

While the Council considers the latest macroeconomic projections as generally cautious and achievable, they are still subject to possible risks, as is inevitable in any forecasting exercise. In particular, the actualisation of the projected GDP growth depends to a large extent on the ability of private consumption expenditure to maintain its strong momentum over the forecast period as well as the degree on implementation of the planned investment projects. Moreover, the external GDP components may be rather volatile and highly conditioned by evolving developments in Malta's main trading partners. However, the Council's assessment is that the upside and downside risks appear to be broadly balanced.

The Council welcomes the efforts made by the Ministry to strengthen the robustness of its forecasts through the development of supplementary econometric models and the compilation of supportive information. In particular, the Council views adequate the explanations provided by the Ministry to support its investment forecasts. This is particularly important since notwithstanding the exceptionally high rate of real growth registered for gross fixed capital formation in 2015, which thus creates a large base effect, investment growth is expected to be positive in 2016 and to accelerate in 2017. The Council understands that the forecast investment profile is based on the outlays related to specific large identifiable investment projects which have a high probability to take place during 2016 and 2017, thereby mitigating the possible downside risks to this forecast.

The full report, entitled "An Assessment of the Macroeconomic Forecasts for the Maltese Economy prepared by the Ministry for Finance in October 2016", is available on the website of the MFAC http://www.mfac.gov.mt.

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STQARRIJA GĦALL-ISTAMPA

Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni ġenerali tiegħu tat-tbassir makroekonomiku tal-Gvern hekk kif ippreżentat fl-Abbozz tal-Pjan Baġitarju għall-2017

Fl-14 ta' Ottubru 2016, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta l-evalwazzjoni tiegħu tat-tbassir makroekonomiku għall-ekonomija Maltija kif ippreparat mill-Ministeru għall-Finanzi bħala parti mill-Abbozz tal-Pjan Baġitarju għall-2017.

Il-Kunsill jikkunsidra li abbażi tal-informazzjoni disponibbli, it-tbassir tat-tkabbir reali fil-Prodott Gross Domestiku (PGD) ta' 3.9% għall-2016 u ta' 3.5% għall-2017, jidher li jista' jintlaħaq. Il-Ministeru qed ibassar tnaqqis modest fir-ritmu ta' tkabbir, li jsegwi r-rata eċċezzjonali li seħħet fl-2015, ta' 6.2% fil-PGD f'termini reali. Dan it-tbassir hu kkunsidrat bħala prudenti. Fl-istess ħin, it-tbassir tat-tkabbir fil-PGD f'termini nominali ta' 5.7% għall-2016 u ta' 5.8% għall-2017, li jsegwu r-rata ta' tkabbir f'termini nominali ta' 8.6% fl-2015, huwa wkoll ikkunsidrat bħala aċċettabbli minn naħa tal-Kunsill.

Il-Kunsill josserva li skont it-tbassir maħruġ mill-Ministeru, it-tkabbir tal-PGD f'termini reali mistenni jkun ġej l-iktar minn domanda lokali kemm fl-2016 u anki fl-2017. Fl-istess ħin, il-Kunsill jinnota li s-settur estern hu mistenni jikkontribwixxi biss marġinalment għat-tkabbir fil-PGD fl-2016 filwaqt li jiġġenera kontribut negattiv għall-2017, minħabba li r-rata ta' tkabbir fl-importazzjoni ta' prodotti u servizzi mistennija taqbeż it-tkabbir fl-esportazzjoni. Il-Kunsill jifhem li dawn ix-xejriet huma konsistenti mal-infiq qawwi mistenni fl-investiment, li f'Malta parti mdaqqsa tkun ġeneralment importata. It-tkabbir fl-esportazzjoni, li mistenni jkun baxx fl-2016 u mbagħad jerġa jiżdied fl-2017, jidher li huwa fattibli, peress li jidher konsistenti max-xejriet fl-ekonomiji internazzjonali, kif ukoll komparabbli mal-iżviluppi riċenti.

Fl-istess ħin, il-kundizzjonijiet fis-suq tax-xogħol hekk kif inhuma antiċipati u l-iżviluppi mistennija fid-dħul disponibbli reali jsostnu l-plawżibbilità tat-tkabbir mistenni fil-konsum privat. It-tbassir tat-tkabbir fl-impjiegi u r-rata ta' qagħad baxxa jidhru konsistenti max-xejriet riċenti fis-suq tax-xogħol u l-implimentazzjoni ta' politikà attiva fis-suq tax-xogħol minn naħa tal-Gvern.

Il-Kunsill jikkunsidra t-tbassir ekonomiku bħala ġeneralment prudenti u li jista' jintlaħaq, iżda xorta suġġett għal riskji, li huma inevitabbli f'kull eżerċizzju ta' tbassir. Partikolarment, it-tkabbir mistenni fil-PGD jiddependi fuq kemm il-konsum privat iżomm pass pożittiv matul il-perjodu tat-tbassir u kif ukoll kemm il-proġetti tal-investiment ippjanati jiġu mwettqa. Barra minn hekk, il-komponenti tal-PGD li għandhom x'jaqsmu mas-settur estern jistgħu jkunu kemmxejn volatili u nfluwenzati minn żviluppi fil-pajjiżi barranin li l-aktar jagħmlu kummerċ ma' Malta. Minkejja dan, l-evalwazzjoni tal-Kunsill hija li r-riskji jidhru bilanċjati.

Il-Kunsill jilqa' l-inizjattivi minn naħa tal-Ministeru sabiex jissaħħaħ il-proċess tat-tbassir permezz tal-iżvilupp ta' mudelli ekonomiċi supplimentari u tal-ġbir ta' informazzjoni dettaljata. Il-Kunsill iqis bħala validi l-ispjegazzjonijiet li nagħtaw mill-Ministeru sabiex isostnu t-tbassir tal-investiment. Dan huwa importanti peress li minkejja r-rata eċċezzjonali ta' tkabbir reali fl-investiment fl-2015, it-tkabbir fl-investiment xorta huwa mistenni jkun pożittiv fl-2016 u jaċċellera fl-2017. Il-Kunsill ġie mgħarraf mill-Ministeru li t-tbassir tal-investiment huwa bbażat fuq infiq relatat ma' proġetti li huma identifikabbli u sinjifikanti, u li hemm ċans ogħli li jseħħu bejn l-2016 u l-2017. B'hekk dan inaqqas ir-riskji għal dan it-tbassir.

Ir-rapport sħiħ, intitolat "An Assessment of the Macroeconomic Forecast for the Maltese Economy prepared by the Ministry for Finance in October 2016" huwa disponibbli fuq is-sit elettroniku tal-MFAC http://www.mfac.gov.mt