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PRESS RELEASE**Malta Fiscal Advisory Council publishes its assessment of the Ministry for Finance's 2016 Annual Report**

On 31 July 2017, the Malta Fiscal Advisory Council (MFAC) presented to the Minister for Finance its assessment of the Ministry's 2016 Annual Report which was tabled in Parliament on 27 June 2017. The main purpose of the Annual Report is to provide an appraisal of the execution of the previous Budget and present relevant explanations regarding any possible deviations between the actual and forecasted macroeconomic and fiscal developments during the year. The Annual Report also assesses compliance with the fiscal rules set by the Stability and Growth Pact and by the Fiscal Responsibility Act.

The Council notes positively that the 2016 fiscal turnout was significantly better than originally targeted. In fact, the Consolidated Fund reported a surplus of €8.9 million, as opposed to a deficit of €196.0 million indicated in the Approved Estimates published in October 2015. The outturn based on the ESA methodology, which is more relevant in terms of assessing compliance with the fiscal rules, registered a surplus of €101.0 million, compared to the deficit of €102.0 million indicated in the 2016 Draft Budgetary Plan and the deficit of €65.7 million targeted in the Update of Stability Programme 2016 – 2019. The better-than-expected fiscal outturn was largely revenue-driven and reflects a number of factors including the prudent assumptions used in the forecast round, a more tax-rich economic growth, a larger tax base than originally assumed in the Ministry's forecasting model, and higher yield from the Individual Investor Programme. At the same time, total expenditure was slightly below the budgeted amount, as overruns across many current expenditure components, were more than offset by the lower spending on public investment.

Turning to macroeconomic figures, the Council notes that the Ministry's forecast for the 2016 nominal GDP growth was close to the actual outturn of 6.7%. This notwithstanding the slower-than-anticipated progress in the utilisation of EU funds, which resulted in a noticeable gap in the spending on investment by the Government, compared to what was indicated in last year's Stability Programme and in the Draft Budgetary Plan.

The Council also notes positively the full compliance with the two fiscal rules directly mentioned in the Fiscal Responsibility Act, namely the budgetary rule and the debt rule. Indeed, after netting out the impact of the economic cycle and temporary effects, the structural fiscal balance ended 2016 with a surplus of 0.2% of potential output. This meant that the country's Medium-Term Objective (MTO) was achieved in 2016, three years ahead of the plan agreed with the European Commission. In this respect, the Council invites the Ministry to remain vigilant in order to ensure that going forward, the country remains at its MTO. The target for the public debt-to-GDP ratio was likewise overachieved in 2016, as the ratio declined below the threshold of 60.0%, to reach 58.3% of GDP. The upward revision in the nominal GDP statistics, which was undertaken by the National Statistics Office in December of 2016, contributed to the faster decline in the debt ratio.

In order to strengthen further the institutional dialogue, and add more fiscal transparency, the Council invites the Ministry for Finance to evaluate the merit of using its Annual Report to make public its views on the various recommendations made by the Council throughout the year.

The full report, entitled "Overall Assessment – Ministry for Finance Annual Report 2016", is available on the website of the MFAC <http://www.mfac.org.mt>.

2 ta' Awwissu 2017

STQARRIJA GHALL-ISTAMPA**Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni tieghu dwar ir-Rapport Annwali għall-2016 ippublikat mill-Ministeru għall-Finanzi.**

Fil-31 ta' Lulju 2017, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ipprezenta lill-Ministru għall-Finanzi l-evalwazzjoni tiegħu tar-Rapport Annwali tal-Ministeru għall-Finanzi għall-2016, li ġie mqiegħed fuq il-Mejda tal-Kamra tar-Rappreżentanti fis-27 ta' Ġunju 2017. L-għan ewlieni tar-Rapport Annwali huwa li jevalwa t-tweqqiq tal-Baġit tas-sena ta' qabel u li jagħti spjegazzjonijiet fuq id-differenzi fl-iżviluppi makroekonomiċi u fiskali li seħhew meta mqabbla mat-tbassir. Ir-Rapport Annwali jevalwa wkoll il-konformità mar-regoli fiskali stabbiliti mill-Patt ta' Tkabbir u Stabbiltà u mill-Att dwar ir-Responsabbiltà Fiskali.

Il-Kunsill jinnota b'mod pozittiv li l-qagħda fiskali għall-2016 kienet hafna aħjar minn dik mistennija. Infatti, il-Fond Konsolidat irregistra bilanċ pozittiv ta' €8.9 miljun, għall-kuntrarju tad-defiċit ta' €196.0 miljun li kien imbassar fl-Estimi Approvati li kienu ppubblikati f'Ottubru tal-2015. Abbażi tal-metodologija tal-ESA, li hija l-aktar rilevanti biex tiġi evalwata l-konformità mar-regoli fiskali, il-bilanċ pozittiv kien ta' €101.0 miljun, filwaqt li l-Abbozz tal-Pjan Baġitarju għall-2016 kien jindika tbassir ta' defiċit ta' €102.0 miljun u l-Aġġornament tal-Programm ta' Stabbiltà 2016 - 2019 kien qed ibassar defiċit ta' €65.7 miljun. Din il-qagħda fiskali aħjar milli mistennija irriżultat l-aktar minn dħul b'saħħtu, u ttrifletti numru ta' fatturi bħal is-suppożizzjonijiet prudenti li kienu użati, tkabbir ekonomiku li wassal għal dħul iktar b'saħħtu mit-taxxi, bażi ta' taxxa iktar wiesa' milli maħsub fil-mudell tat-tbassir tal-Ministeru, u iktar dħul mill-Programm tal-Investitur Individwali (IIP). Fl-istess hin, in-nefqa totali kienet kemmxejn inqas mill-ammont ibbaġitjat, minhabba infieq inqas fuq l-investment pubbliku li patta għaž-zidiet fl-infieq kurrenti.

Rigward il-figuri makroekonomiċi, il-Kunsill jinnota li t-tbassir tal-Ministeru għat-tkabbir fil-Prodott Gross Domestiku (PGD) f'termini nominali kien viċin it-tkabbir ta' 6.7% li seħħ fl-2016. Dan minkejja li l-użu tal-fondi tal-UE kien aktar bil-mod milli mistenni, u li għalhekk irriżulta fi tnaqqis fl-investment pubbliku, meta mqabbel ma' dak imbassar fil-Programm ta' Stabbiltà u l-Abbozz tal-Pjan Baġitarju tas-sena li għaddiet.

Il-Kunsill ukoll iqis b'mod pożittiv il-konformità shiha maż-żewġ regoli fiskali imsemmija fl-Att dwar ir-Responsabbiltà Fiskali, jiġifieri ir-regola tal-bilanċ fiskali u r-regola tad-dejn pubbliku. Wara li jitnehhew l-impatt taċ-ċiklu ekonomiku u l-effetti temporanji, il-bilanċ fiskali f'termini strutturali fl-aħħar tal-2016 kien ta' surplus ta' 0.2% tal-PGD potenzjali. Dan ifisser li l-Objettiv ta' Termini Medju tal-pajjiż ġie milhuq fl-2016, tlett snin qabel il-pjan miftiehem mal-Kummissjoni Ewropea. F'dan ir-rigward, il-Kunsill jistieden lill-Ministeru sabiex jibqa' attent sabiex jassigura li fil-futur, il-pajjiż jibqa' jilhaq dan l-Objettiv. Il-mira tad-dejn pubbliku meta mqabbel mal-PGD għall-2016, kienet iktar milli milhuqha, għax id-dejn niżel inqas mir-regola tas-60% għal 58.3% tal-PGD. Ir-reviżjoni 'l fuq fl-istatistika tal-PGD, li saret mill-Uffiċju Nazzjonali tal-Istatistika f'Diċembru tal-2016, wasslet għal tnaqqis iktar malajr tal-proporzjon tad-dejn.

Sabiex jissahhaħ iktar id-djalogu istituzzjonali, u tiżdied it-trasparenza fiskali, il-Kunsill jistieden lill-Ministeru għall-Finanzi sabiex jevalwa l-mertu li r-Rapport Annwali jkun jista' jintuza wkoll sabiex jiġu magħrufa l-opinjoni jiet tal-Ministeru dwar ir-rakkomandazzjonijiet varji li jkun għamel il-Kunsill matul is-sena.

Ir-rapport shiħ , bit-titlu ta' "Overall Assessment – Ministry for Finance Annual Report 2016" huwa disponibbli fuq is-sit elettroniku tal-MFAC <http://www.mfac.org.mt>.