

2 July 2018

PRESS RELEASE

Malta Fiscal Advisory Council publishes its overall assessment of the Government's Medium-Term Fiscal Strategy

On 28 June 2018 the Malta Fiscal Advisory Council (MFAC) presented its assessment of the Medium-Term Fiscal Strategy for the period 2018 to 2021, as outlined in the latest Update of Stability Programme.

The Council welcomes the fact that, in 2017, for the second-year running, a fiscal surplus was achieved. The fiscal surplus, amounting to 3.9% of GDP, or 3.6% of potential output when measured in structural terms, was substantially higher than originally anticipated. This has also contributed to accelerate the reduction in the debt ratio further, declining to 50.8% of GDP as at end 2017.

On this basis, the Council confirms that in 2017 there was full compliance with the fiscal rules prescribed by the Stability and Growth Pact and the Fiscal Responsibility Act. The debt rule was respected as the debt-to-GDP ratio stood well below the 60% of nominal GDP threshold. In structural terms, the recorded positive fiscal turnout comfortably met, and indeed exceeded, the requirement to maintain Malta at its Medium-Term Objective of a balanced budgetary position.

The Council would like to encourage the Government to remain vigilant and to continue to monitor carefully expenditure developments so as to avoid any significant departure from the fiscal targets.

Sustained commitment to the materialisation of the Government's latest fiscal plans, which the Council has already considered as plausible and within its endorsable range, will ensure that between 2018 and 2021 such fiscal rules continue to be complied with.

At the same time, the Council considers equally important that apart from complying with fiscal rules, one should also ensure that the conduct of fiscal policy is conducive to the sustainability of public finances. In this respect, the Council draws attention to the European Commission assessment that in the case of Malta, whereas it is positive to note that there is low risk to the sustainability of public finances in the short term and medium term, there is a medium risk in the long term. More specifically, the Council observes that according to the Commission's projections, Malta stands out as the EU Member with the second-highest projected increase in age-related expenditure in relation to GDP between 2016 and 2070. This in view of the anticipated higher outlays for pensions, health care and long-term care. Against such a scenario, the Council's view is that the build-up of further fiscal buffers should remain a priority.

The Fiscal Council also suggests that long term fiscal issues are given even more priority in the economic discussions between the constituted bodies and the Government. The prevailing benign macroeconomic and fiscal conditions offer a window of opportunity for carrying out the necessary reforms to address such long-term challenges.

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

2 ta' Lulju 2018

STQARRIJA GHALL-ISTAMPA

II-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni generali tal-Istrateġija Fiskali ta' Terminu Medju

Fit-28 ta' Ĝunju 2018, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta l-evalwazzjoni generali tal-Istrateġija Fiskali ta' Terminu Medju għall-perjodu 2018-2021, kif indikat fl-aħħar Aġġornament tal-Programm ta' Stabbiltà.

Il-Kunsill jilqa' l-fatt li fl-2017, għat-tieni sena konsekuttiva, intlaħaq 'surplus' fiskali. Is-'surplus' fiskali, li jammonta għal 3.9% tal-Prodott Gross Domestiku (PGD), jew għal 3.6% tal-PGD potenzjali meta mkejjel f'termini strutturali, kien sostanzjalment ikbar minn dak mistenni. Dan wassal għal tnaqqis tad-dejn bħala proporzjon tal-PGD b'pass iktar mgħaġġel, għal 50.8% tal-PGD sal-aħħar tal-2017.

Abbaži ta' dan, il-Kunsill jikkonferma li fl-2017 kien hemm konformità sħiħa mar-regoli fiskali mfassla fil-Patt ta' Tkabbir u Stabbiltà u l-Att dwar ir-Responsabbiltà Fiskali. Ir-regola tad-dejn ġiet rispettata minħabba li l-proporzjon tad-dejn mal-PGD kien ferm inqas mil-limitu tas-60% tal-PGD. F'termini strutturali, il-qagħda fiskali kienet aħjar mill-objettiv ta' bilanċ f'terminu medju għal Malta.

Il-Kunsill iħegġeg lill-Gvern sabiex jibqa' vigilanti u jkompli jsegwi mill-qrib ix-xejriet fl-ispiża, sabiex ma jkunx hemm ċaqliq mill-miri fiskali għas-snin li ġejjin.

It-twettiq tal-pjanijiet fiskali tal-Gvern, li l-Kunsill kien diga' ikkunsidra bħala plawzibbli u aċċettabbli, jiżgura li, bejn l-2018 u l-2021, ir-regoli fiskali jibqgħu jiġu mharsa.

Fl-istess hin, il-Kunsill iqis daqstant importanti li minbarra l-konformità mar-regoli fiskali, it-twettieq tal-politika fiskali għandha tkun waħda li twassal għas-sostenibbiltà tal-finanzi pubbliċi. F'dan ir-rigward, il-Kunsill jiġbed l-attenzjoni għall-valutazzjoni tal-Kummissjoni Ewropea li fil-każ ta' Malta, filwaqt li hu pozittiv li hemm riskju baxx għas-sostenibbiltà tal-finanzi pubbliċi fil-perjodu qarib u dak aktar medju, hemm riskju medju fuq medda aktar twila ta' zmien.

Ix-xenarju fit-tul jidher inqas favorevoli fid-dawl ta' infiq ikbar fuq pensjonijiet, is-saħħa u l-kura tal-anzjani, meta jiġu kkunsidrat 1-aħħar tbassir demografiku disponibbli. Il-Kunsill josserva li Malta tispikka bħala l-pajjiż fl-Unjoni Ewropea bit-tieni l-ogħla żieda mistennija fl-infıq relatati mal-eti, bħala proporzjon tal-PGD, bejn l-2016 u l-2070. Dan minħabba ż-żieda mistennija fuq pensjonijiet u spiża fuq saħħa u kura fit-tul. F'dan il-kuntest, il-Gvern għandu jibqa' bil-priorità li jsostni riservi adekwati sabiex jilqa' għal dawn l-isfidi.

Il-Kunsill Fiskali wkoll jirrakkomanda li temi fiskali fit-tul jingħataw aktar importanza u prijorità fid-diskussjonijiet bejn il-Gvern u l-korpi kostitwiti. Il-kundizzjonijiet makroekonomiċi u fiskali pożittivi joffru oppportunità sabiex jitwettqu r-riformi meħtieġa biex jiġu indirizzati dawn l-isfidi tal-futur.

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