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## PRESS RELEASE

### The Malta Fiscal Advisory Council publishes its overall assessment of the Government's Budgetary Plan for 2018 and compliance with the fiscal rules

On 29 December, the Malta Fiscal Advisory Council (MFAC) presented its third report dealing with the Draft Budgetary Plan for 2018. This follows two earlier assessment reports by the Council, which supported the endorsement of the macroeconomic forecasts and of the fiscal projections, respectively published on 16 October and 29 November 2017.

The Fiscal Council notes positively that after having achieved a fiscal surplus in 2016, the Government plans to continue running a surplus also in 2017 and in 2018, targeting a headline positive balance amounting to €88.0 million in 2017, and €54.0 million in 2018, equivalent to 0.8% of Gross Domestic Product (GDP) in 2017 and 0.5% of GDP in 2018. After netting out one-off items and accounting for the positive cyclical effects, these fiscal targets translate into a structural surplus of 0.6% of potential output in 2017 and a structural balance in 2018.

Moreover, the outstanding level of debt is planned to rise at a slower pace than GDP in 2017, and to decline in absolute terms in 2018. As a result, the debt-to-GDP ratio would reach 50.8% of GDP by 2018, well below the 60.0% debt-to-GDP threshold.

The attainment of the targets for the fiscal balance and the public debt would ensure that the country complies with the requirement to maintain its Medium-Term Budgetary Objective of structural balance, thereby fully complying with the rules prescribed by the Fiscal Responsibility Act. It would also allow for the build-up of fiscal buffers and fiscal space. The Council views such a development as necessary and desirable since in the future it would enable the Government to provide resources for public purposes, without undermining fiscal sustainability. This is particularly relevant in view of the ambitious plans to improve the physical infrastructure in future years and the anticipated higher age-related costs facing Malta in the longer term.

At the same time, the Council notes that Malta's fiscal policy is 'broadly compliant' with the rules of the Stability and Growth Pact. This is attributable to the fact that whereas the budget and debt rules as specified in the Pact should be fully satisfied in both 2017 and 2018, there could be the risk of a deviation from the expenditure benchmark set by the European Commission for 2018. This is due to the possibility that the Government expenditure growth in 2018 may exceed the country's potential output growth.

The Council would like to underline the importance that the country aims towards full compliance with the Stability and Growth Pact. Accordingly, whereas the Council considers that the risk of deviation from the expenditure benchmark might be partially mitigated by possible expenditure savings in the event that the Contingency Reserve is not resorted to in 2018, it shares the Commission's invitation to the authorities "to stand ready to take further measures within the national budgetary process to ensure that the 2018 budget will be compliant".

The full report, entitled "Overall Assessment – Draft Budgetary Plan 2018", is available on the website of the MFAC <http://www.mfac.org.mt>.

8 ta' Jannar 2018

## STQARRIJA GHALL-ISTAMPA

### **Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni ġeneralis tiegħu dwar il-Pjan Baġitarju tal-Gvern ghall-2018 u l-konformità mar-regoli fiskali.**

Fid-29 ta' Diċembru, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta t-tielet rapport tiegħu dwar l-Abbozz tal-Pjan Baġitarju tal-Gvern ghall-2018. Dan isegwi żewġ rapporti preċedenti mill-Kunsill, li ħarsu lejn il-plawżibbiltà tat-tbassir makroekonomiku u fiskali tal-Gvern, li ġew ippublikati rispettivament fis-16 ta' Ottubru u fid-29 ta' Novembru 2017.

Il-Kunsill Fiskali jinnota b'mod požittiv li wara li ntlaħaq bilanċ fiskali požittiv fl-2016, il-Gvern qiegħed jimmira li jilħaq ukoll bilanċi fiskali požittivi fl-2017 u fl-2018, li jammontaw għal €88.0 miljun fl-2017, u €54.0 miljun fl-2018, ekwivalenti għal 0.8% tal-Prodott Gross Domestiku (PGD) fl-2017 u 0.5% tal-PGD fl-2018. Wara li jiġu aġġustati għall-effetti taċ-ċiklu ekonomiku u effetti ta'darba u temporanji, dawn il-miri fiskali jirriflettu f'surplus strutturali ta' 0.6% tal-PGD potenzjali fl-2017 u bilanċ strutturali fl-2018.

Barra minn hekk, il-livell tad-dejn huwa ppjanat li jiżdied b'pass aktar bil-mod mill-PGD fl-2017 u jonqos f'terminu assolut fl-2018. B'rizzultat ta' dan, il-proporzjon tad-dejn pubbliku mal-PGD se jilħaq il-50.8% tal-PGD sal-2018, u b'hekk ikun sew taħt ir-regola tas-60.0% tad-dejn mal-PGD.

Il-fatt li jintlaħqu l-miri għall-bilanċ fiskali u tad-dejn pubbliku jiżgura li l-pajjiż ikun f'konformità mar-rekwizit sabiex jinżamm l-Objettiv Baġitarju ta' Terminu Medju ta' bilanċ strutturali, u li allura jkun hemm konformità sħiha mar-regoli tal-Att dwar ir-Responsabbiltà Fiskali. Dan ukoll jippermetti li jikbru r-riservi u l-ispazju fiskali. Il-Kunsill iqis dan l-iżvilupp bhala neċessarju u meħtieġ minħabba li fil-futur jippermetti li l-Gvern jipprovd aktar riżorsi għal skopijiet pubblici, mingħajr ma jnaqqas is-sostenibbiltà fiskali. Dan huwa speċjalment rilevanti meta jitqiesu l-pjanijiet ambizzju sabiex l-infrastruttura tiżviluppa iktar matul is-snini li ġejjin u minħabba l-istennija ta' spejjeż ogħla relatati mal-anzjanità li jista' jkollha Malta fil-futur.

Fl-istess hin, il-Kunsill jinnota li l-politika fiskali ta' Malta hija "konformi b'mod ġeneralis" mar-regoli tal-Patt ta' Stabbiltà u Tkabbir. Dan huwa attribwit għall-fatt li filwaqt li r-regoli tal-bilanċ u tad-dejn hekk kif specifikati fil-Patt għandhom ikunu milħuqa kemm għall-2017 u anki għall-2018, jista' jkun hemm devjazzjoni mill-parametru referenzjarju tan-nefqa rikjest mill-Kummissjoni Ewropea fl-2018. Dan jista' jseħħi minħabba l-possibbiltà li r-rata tat-tkabbir tan-nefqa tal-Gvern fl-2018 tista' taqbeż ir-rata tat-tkabbir potenzjali tal-pajjiż.

Il-Kunsill jixtieq ifakkar fl-importanza li l-pajjiż jimmira lejn konformità shiħa mal-Patt ta' Stabbiltà u Tkabbir. Għaldaqstant, filwaqt li l-Kunsill jikkunsidra li r-riskju ta' devjazzjoni mill-parametru referenzjarju tan-nefqa jista' jkun parzjalment mitigat mill-possibbiltà ta' tfaddil fil-każ li ma jkun hemm ebda rikors għar-Riżerva ta' Kontingenza fl-2018, l-Kunsill jaqbel mal-istedina tal-Kummissjoni lill-awtoritajiet "biex ikunu lesti jieħdu aktar miżuri fil-proċess baġitarju nazzjonali biex jiżguraw li l-baġit għall-2018 ikun konformi".

Ir-rapport shiħ, bit-titlu ta' "Overall Assessment – Draft Budgetary Plan 2018", huwa disponibbli fuq is-sit elettroniku tal-MFAC <http://www.mfac.org.mt>.