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PRESS RELEASE

MFAC publishes its assessment of the Update of Stability Programme 2020 – 2021

On 17 June 2020, the Malta Fiscal Advisory Council (MFAC) presented to the Minister for Finance and Financial Services its assessment of the Update of Stability Programme 2020 – 2021, which the Ministry submitted to the European Commission on 30 April 2020. On the basis of the information available up to 22 May 2020, the Fiscal Council considered the macroeconomic and fiscal scenario for 2020 and 2021 to be within its endorsable range, adequately factoring in the possible impacts of COVID-19. The Council also confirmed that in view of the exceptional circumstances, the Government can make use of the necessary flexibility to address the challenges created by COVID-19, and temporarily depart from the Medium-Term Objective of structural balance. This is consistent with the agreement reached at the European level and conforms with the Fiscal Responsibility Act.

The Government's projections indicate that the Maltese economy is expected to suffer a drop of 5.4% in real GDP in 2020, but real GDP is then expected to grow by 3.9% in 2021. The adverse shock to the tax base and the COVID-19 mitigation measures are in turn projected to swing the fiscal balance into deficit. The latter is estimated to amount to 7.5% of GDP in 2020, and 3.6% in 2021. COVID-19 is also expected to halt the trend declines in the debt-to-GDP ratio, which is thus estimated to rise from 43.1% in 2019, to 55.5% by 2021. Although, based on its assessment, the Council considers that there could be downside risks to real GDP growth and the fiscal balance over these two years, such risks are deemed to be contained since forecasts by other reputable institutions, which have factored in the impact of COVID-19, have produced a range of forecasts which are comparable to the scenario presented by the Government.

The Council highlights the importance to target again strong public finances once the downside effects of the pandemic ease out. The fiscal space which was available pre-COVID-19, because of the stream of fiscal surpluses and the low level of public debt, made it possible to implement aggressive fiscal measures to mitigate the negative shock. Rebuilding fiscal space would be useful to counteract any future adverse shocks. The full report, entitled "Assessment of the Update of Stability Programme 2020 - 2021", is available on the website of the MFAC: <http://www.mfac.org.mt>.

18 ta' Ġunju 2020

STQARRIJA GHALL-ISTAMPA

Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni tiegħu tal-Aġġornament tal-Programm ta' Stabbiltà 2020-2021

Fis-17 ta' Ġunju 2020, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta lill-Ministru għall-Finanzi u s-Servizzi Finanzjarji l-evalwazzjoni tal-Aġġornament tal-Programm ta' Stabbiltà 2020 – 2021, li l-Ministeru ssottometta lill-Kummissjoni Ewropea fit-30 ta' April 2020. Abbaži tal-informazzjoni disponibbli sat-22 ta' Mejju 2020, Il-Kunsill Fiskali jikkunsidra x-xenarju makroekonomiku u fiskali għall-2020 u l-2021 bħala plawżibbli, u li jqis l-effetti negattivi tal-COVID-19 b'mod adegwat. Il-Kunsill jikkonferma wkoll li fid-dawl taċ-ċirkostanzi eċċeżżjonali, il-Gvern jista' jagħmel użu mill-flessibbiltà meħtieġa biex jindirizza l-isfidi maħluqa mill-COVID-19, u jitbiegħed temporanjament mill-Objettiv ta' Terminu Medju ta' bilanċ strutturali. Dan huwa konsistenti mal-ftehim milħuq fuq livell Ewropew u jikkonforma mal-Att dwar ir-Responsabbiltà Fiskali.

It-tbassir tal-Gvern jindika li l-ekonomija Maltija hi mistennija tbat minn tnaqqis ta' 5.4% fil-Prodott Gross Domestiku (PGD) f'termini reali fl-2020, iżda l-PGD huwa mistenni li jikber b'3.9% fl-2021. L-impatt fuq it-taxxi u l-ispejjeż ta' mitigazzjoni tal-COVID-19 huma mistennija li jwasslu għal deficit fiskali. Id-deficit huwa stmat li jammonta għal 7.5% tal-PGD fl-2020, u għal 3.6% fl-2021. Il-COVID-19 huwa mistenni jwaqqaf il-process ta' tnaqqis tad-dejn bħala proporzjon mal-PGD ta' dawn l-ahhar snin, u li għalhekk huwa mistenni li jiżdied minn 43.1% fl-2019, għal 55.5% sal-2021. Ghalkemm il-Kunsill iqis li x-xejriet fil-PGD u l-bilanċ fiskali matul dawn is-sentejn jistgħu jkunu kemmxjejn agħar, dawn ir-riski jitqiesu limitati peress li t-tbassir minn istituzzjonijiet oħra li qiesu l-impatt tal-COVID-19 jru tbassir simili tax-xenarju pprezentat mill-Gvern.

Il-Kunsill jenfasizza l-importanza ta' finanzi pubblici b'saħħithom ladarba l-effetti negattivi tal-pandemija jittaffew. Ir-riżorsi fiskali li kienu disponibbli qabel il-COVID-19, minħabba s-surpluses fiskali u l-livell baxx ta' dejn pubbliku, għenu sabiex jittieħdu l-miżuri fiskali biex jittaffew l-effetti tal-COVID-19. It-tfaddil fiskali jerġa' jkun utli sabiex jagħmel tajjeb għal effetti negattivi oħra li jistgħu jseħħu minn żmien għal ieħor.

Ir-rapport shiħiħ, intitolat "Assessment of the Update of Stability Programme 2020 – 2021", huwa disponibbli fuq is-sit tal-MFAC: <http://www.mfac.org.mt>.