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PRESS RELEASE

MFAC publishes its assessment of the Draft Budgetary Plan 2021

On 15 December 2020, the Malta Fiscal Advisory Council (MFAC) presented to the Minister for Finance and Employment its assessment of the Draft Budgetary Plan 2021. Based on the information available up to 26 November 2020, the Fiscal Council considered the updated forecasts for 2020 and 2021 to be within its endorsable range. The official forecasts adequately factor in the possible adverse effects of COVID-19 on economic growth and public finances over the two-year horizon.

The Government's projections indicate that the Maltese economy is expected to suffer a decline, followed by partial recovery. The Plan anticipates real GDP growth of -7.4% for 2020 and +5.0% for 2021. The contraction in the tax base and the various support measures are estimated to generate a fiscal deficit of 9.4% of GDP in 2020 and 5.9% in 2021. Consequently, the public debt-to-GDP ratio is forecast to rise from 42.6% of GDP in 2019, to 58.6% by 2021.

Should the overall economic shock created by the pandemic be stronger than anticipated in the Plan, the trajectory for real GDP growth would be more negatively impacted, while the fiscal deficit and public debt could exceed the targets. Such risks are however deemed to be contained since the official forecasts fit within the range of estimates produced by other reputable institutions.

The Council notes that the agreement reached at the European level on 23 March 2020 offers the Government great flexibility to address the challenges created by COVID-19. The exceptional circumstances permit and justify the running of a fiscal deficit. At the same time, 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 Draft Budgetary Plan 2021", is available on the website of the MFAC: <http://www.mfac.org.mt>.

15 ta' Diċembru 2020

STQARRIJA GHALL-ISTAMPA

II-Kunsill Fiskali Konsultattiv Malti jippubblika I-evalwazzjoni tal-Pjan Baġitarju għall-2021

Fil-15 ta' Diċembru 2020, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta lill-Ministru għall-Finanzi u x-Xogħol I-evalwazzjoni tiegħu tal-Pjan Baġitarju għall-2021. Abbaži tal-informazzjoni disponibbli sas-26 ta' Novembru 2020, il-Kunsill Fiskali kkunsidra I-aġġornament fit-tbassir makroekonomiku u fiskali għall-2020 u l-2021 bħala plawżibbli. It-tbassir uffiċċiali jikkunsidra b'mod adegwat I-effetti negattivi possibbli tal-COVID-19 fuq it-tkabbir ekonomiku u l-finanzi pubbli fuq perjodu ta' sentejn.

It-tbassir tal-Gvern jindika li l-ekonomija Maltija mistennja tiċkien u wara tirkupra parzjalment. Il-Pjan jantiċipa tnaqqis fil-Prodott Gross Domestiku (PGD) ta' 7.4% għall-2020 u wara żieda ta' 5.0% għall-2021. Dħul inqas minn taxxi u diversi miżuri huma stmati li jwasslu għal deficit fiskali ta' 9.4% tal-PGD fl-2020 u 5.9% fl-2021. Fl-istess ħin, il-proporzjon tad-dejn pubbliku mal-PGD huwa mbassar li jiżdied minn 42.6% fl-2019, għal 58.6% sal-2021.

Jekk l-impatt ekonomiku kawżat mill-pandemija jkun aktar milli mistenni fil-Pjan, it-tkabbir ekonomiku jista' jiġi effettwat b'mod aktar negattiv, filwaqt li d-deficit fiskali u d-dejn pubbliku jistgħu jaqbżu l-miri stabiliti. Madankollu, dawn ir-riskji ma jidhru kbar minnhabba li t-tbassir tal-Gvern jixba l-istimi mħejjija minn istituzzjonijiet oħra.

Il-Kunsill jinnota li l-ftiehim milħuq fuq livell Ewropew fit-23 ta' Marzu tal-2020 joffri lill-Gvern flessibbiltà ikbar biex jindirizza l-isfidi maħluqa mil-COVID-19. Iċ-ċirkostanzi eċċeżżjonali jippermettu u jiġiustifikaw deficit fiskali. Fl-istess ħin, il-Kunsill jenfasizza l-importanza li jerġgħu jiġu mmirati finanzi pubbli b'saħħithom ladarba jittaffew l-effetti negattivi tal-pandemija. L-ispazju fiskali li kien disponibbli qabel il-COVID-19, minnhabba snin ta' *surplus* fiskali u l-livell baxx ta' dejn pubbliku, għamilha possibbli li jiġu implementati miżuri fiskali aggressivi biex jittaffa l-impatt negattiv. Għalhekk huwa tajjeb li jerġa' jinbena *surplus* fiskali meta jkun possibbli sabiex jagħmel tajjeb għal kwalunkwe effetti negattivi li jistgħu jseħħu fil-futur.

Ir-rapport shiħiħ, intitolat "Assessment of the Draft Budgetary Plan 2021", huwa disponibbli fuq is-sit elettroniku tal-MFAC: <http://www.mfac.org.mt>.