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PRESS RELEASE

MFAC publishes its assessment of the Update of Stability Programme 2022 – 2025

The Malta Fiscal Advisory Council (MFAC) presented to the Minister for Finance and Employment its assessment of the Update of Stability Programme 2022 – 2025. The MFAC's Report has a cut-off date of 23 May 2022. The Fiscal Council considered the macroeconomic and fiscal forecasts for 2022 to 2025 to be within its endorsable range and compatible with the assumptions specified in the official document.

Following the downturn recorded in 2020 (-8.3%) and the strong recovery in 2021 (+9.4%), the Government is expecting real GDP to grow moderately in 2022 (+4.4%) and to ease in the outer years of the forecast horizon (2023: +3.9%; 2024: +3.7%; 2025: +3.5%). Against this background, the fiscal deficit is expected to narrow to 5.4% of GDP in 2022, from 8.0% a year earlier. For the outer years, the Stability Programme targets a progressive reduction in the fiscal deficit ratio to below 3.0% of GDP by 2024 and a public debt ratio lower than 60% of GDP throughout the forecast horizon.

The risk assessment carried out by the Fiscal Council suggests a broadly positive risk outlook vis-à-vis the profile for real GDP growth over the forecast horizon. For 2022, the MFAC considers that both the fiscal balance and public debt could be lower than expected by the Government in the baseline scenario. For the outer years, the MFAC opines a neutral outlook for the fiscal balance and the possibility of a lower public debt-to-GDP ratio.

The MFAC opines that the expansionary fiscal stance taken by the Government over the past two years was crucial to ensure that the Maltese economy remains afloat while at the same time providing the necessary support and safeguards to sustain jobs and livelihoods. The need for a supportive budgetary policy remains as the conflict between Russia and Ukraine has slowed the global recovery from the pandemic. Energy and commodity prices, in particular wheat and grains, have intensified inflationary pressures from global supply chain disruptions and the recovery from the pandemic. Being a small open economy, Malta is highly susceptible to these external shocks.

The flexibility granted through the activation of the general escape clause in the Stability and Growth Pact and the Fiscal Responsibility Act has allowed such support to take place. The MFAC considers that the fiscal space, which was available pre-pandemic, because of the stream of fiscal surpluses and the low level of public debt, proved very valuable by making possible the implementation of aggressive fiscal support measures. The MFAC advises that when economic conditions allow, fiscal policies should again be aimed at achieving a prudent medium-term fiscal position and ensuring debt sustainability while enhancing investment. Rebuilding fiscal space would be useful to counteract any future adverse shocks and enhance the economy's overall resilience.

The full report, entitled "Assessment of the Update of Stability Programme 2022 – 2025", is available on the website of the MFAC: <http://www.mfac.org.mt>.

12 ta' Lulju 2022

STQARRIJA GĦALL-ISTAMPA

Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni tal-Aġġornament tal-Programm ta' Stabbiltà 2022–2025

Il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta lill-Ministru għall-Finanzi u x-Xogħol l-evalwazzjoni tal-Aġġornament tal-Programm ta' Stabbiltà 2022–2025. Dan ir-Rapport tal-Kunsill kien ippreparat abbażi tal-informazzjoni disponibbli sat-23 ta' Mejju 2022. Il-Kunsill Fiskali jikkunsidra x-xenarju makroekonomiku u fiskali għall-perjodu mill-2022 sal-2025 bħala plawżibbli, u kompatibbli mas-suppżizzjonijiet speċifikati fid-dokument uffċjali.

Wara t-tnaqqis fil-Prodott Gross Domestiku (PGD) rreġistrat fl-2020 (-8.3%) u l-irkupru qawwi fl-2021 (+9.4%), il-Gvern qed jistenna li l-PGD reali jikber b'mod moderat fl-2022 (+4.4%) u li jonqos b'mod sussegwenti fis-snin ta' wara (2023: +3.9%; 2024: +3.7%; 2025: +3.5%). F'dan l-isfond, id-defiċit fiskali huwa mistenni li jonqos għal 5.4% tal-PGD fl-2022, minn 8.0% fis-sena ta' qabel. Għas-snin ta' wara, il-Programm ta' Stabbiltà jimmira lejn tnaqqis progressiv fil-proporzjon tad-defiċit fiskali għal inqas minn 3.0% tal-PGD sal-2024 u proporzjon tad-dejn pubbliku inqas minn 60% tal-PGD matul l-istess perjodu.

Il-valutazzjoni tar-riskju mwettqa mill-Kunsill Fiskali tissuggerixxi riskju pożittiv għat- tkabbir tal-PGD reali matul il-perjodu ta' tbassir. Għall-2022, il-Kunsill Fiskali jqis li kemm il-bilanċ fiskali kif ukoll id-dejn pubbliku jstgħu jkunu aktar baxxi milli previżti mill-Gvern fix-xenarju bażi. Għas-snin ta' wara, il-Kunsill Fiskali jqis ir-riskji għall-bilanċ fiskali bħala newtrali u hemm il-possibbiltà li l-proporzjon tad-dejn pubbliku mal-PGD ikun aktar baxx.

Il-Kunsill Fiskali jqis li l-pożizzjoni fiskali espansiva meħuda mill-Gvern Malti matul dawn l-aħħar sentejn kienet kruċjali biex jiġi żgurat li l-ekonomija Maltija tiġi ssalvagwardjata filwaqt li jiġu sostnuti l-impjegji u l-għajxien ta' nies. Il-ħtieġa għal politika ta' appoġġ baġitarju tibqa', hekk kif il-kunflitt bejn ir-Russja u l-Ukrajna naqqas ir-ritmu tal-irkupru globali mill-pandemija. Il-prezzijiet tal-enerġija u tal-komoditajiet, b'mod partikolari l-qamħ u ż-żrieragħ, intensifikaw il-pressjonijiet fuq il-prezzijiet li kienu ġejjin minħabba restrizzjonijiet fil-provista' b'mod ġenerali u l-irkupru mill-pandemija. Peress li hija ekonomija żgħira u

miftuħa, Malta hija aktar suxxettibbli għal dawn ix-xokkijiet esterni meta ikkumparata ma ekonomiji akbar u anqas miftuħa minna.

Il-flessibbiltà mogħtija permezz tal-attivazzjoni tal-klawżola liberatorja ġenerali fil-Patt ta' Stabbiltà u Tkabbir u l-Att dwar ir-Responsabbiltà Fiskali ppermettiet li jsir it-tali appoġġ. Il-Kunsill Fiskali jqis li r-riżorsi fiskali li kienu disponibbli qabel il-pandemija, minħabba l-fluss ta' bilanċi fiskali pożittivi u l-livell baxx ta' dejn pubbliku, kien ta' valur kbir billi għamel possibbli l-implimentazzjoni ta' miżuri ta' appoġġ fiskali aktar aggressivi. Il-Kunsill Fiskali jagħti parir li meta l-kundizzjonijiet ekonomiċi jippermettu, il-politika fiskali għandha terġa tiġi mmirata sabiex tinkiseb pożizzjoni fiskali prudenti fuq terminu medju u jiġi żgurat dejn sostenibbli, filwaqt li jissaħħaħ l-investment. Il-bini mill-ġdid ta' riżorsi fiskali jkun utli biex jiġu miġġielda kwalunkwe xokkijiet negattivi futuri u sabiex tissaħħaħ ir-reżiljenza ġenerali tal-ekonomija.

Ir-rapport sħiħ, intitolat "Assessment of the Update of Stability Programme 2022 – 2025", huwa disponibbli fuq is-sit elettroniku tal-MFAC: <http://www.mfac.org.mt>.