

30 March 2023

PRESS RELEASE

Malta Fiscal Advisory Council publishes its Annual Report for 2022

The Malta Fiscal Advisory Council (MFAC) has released its Annual Report for 2022, which was tabled in Parliament on 28 March 2023.

In her statement, the Chairperson gave an overview of the past year, highlighting the repercussions of the Russia-Ukraine conflict. In particular, besides security concerns, these geopolitical tensions created a number of challenges for the global economy, due to the renewed disruptions in global supply and higher commodity prices. This led to increased worldwide inflationary pressures.

The decision taken at the European level in 2020 to temporarily lift the fiscal rules and the state aid rules, together with the fiscal space which was available due to the previous year's fiscal surpluses and relatively low level of public debt, offered the government leeway in the initiatives that could be undertaken to address the pandemic's health and economic challenges as well as those resulting from the war in Ukraine. In particular, the Chairperson noted the fiscal support measures by the Government of Malta to maintain stability in energy and food prices, which contributed to the strong economic growth rate recorded by the Maltese economy, which is well above the EU average. At the same time, however, Malta's fiscal deficit recorded during the year is also one of the highest in the EU, clearly well above the 3% threshold.

In her statement, the Chairperson outlined a number of challenges for the years ahead. First, Malta must be prepared for when the fiscal rules become binding again, which is planned to happen in 2024. Second, when economic times permit, Malta must rebuild the fiscal space which was available pre-pandemic as a way to counteract future adverse shocks and improve the resilience of Malta's economy whilst ensuring the long-term sustainability of public finances. Finally, Malta's international competitiveness should be safeguarded, and reforms continue to be implemented to ensure that the economy is adequately prepared to face the long-term challenges associated with climate change and the digital transition. Furthermore, the planned reform of the EU governance fiscal framework may also bring changes in the responsibilities of the Council and its modus operandi.

In relation to its operations, the Fiscal Council positively notes that during 2022, as was the case since its establishment, the official macroeconomic and fiscal forecasts produced by the government have been considered to lie within an endorsable range, as reflected in the assessment reports published during the year. The Council highlighted that realistic economic and fiscal projections are crucial inputs for sound policymaking.

The Annual Report contains two thematic chapters. The first chapter presents an analysis of the forecasting performance of the Ministry for Finance and Employment for real and nominal GDP, whereas the other chapter summarises the Debt Sustainability Analysis framework of the European Commission, which is proposed to be an important analytical tool behind the reform of the EU's Economic Governance Framework. The latter chapter also outlines the main changes proposed by the European Commission in the reformed Framework and discusses how these might affect Malta and its debt sustainability position.

The Annual Report for 2022, including the audited financial statements, is available on the website of the MFAC: <http://www.mfac.org.mt>.

30 ta' Marzu 2023

STQARRIJA GĦALL-ISTAMPA

II-Kunsill Fiskali Konsultattiv Malti jippubblika r-Rapport Annwali tiegħu għall-2022

Il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippubblika r-Rapport Annwali tiegħu għall-2022, li tressaq fil-Parlament fit-28 ta' Marzu 2023.

Fl-istqarrija tagħha, iċ-Chairperson tat farsa ġenerali lejn is-sena li għaddiet, u enfasizzat ir-riperkussjonijiet tal-kunflitt bejn ir-Russja u l-Ukraina. B'mod partikolari, minbarra t-tfassib dwar is-sigurtà, dawn it-tensjonijiet ġeopolitiċi holqu għadd ta' sfidi għall-ekonomija globali, minhabba d-diffikultajiet fil-provvista globali u prezzijiet ogħla tal-prodotti bażiċi. Dan wassal għal żieda fil-pressjonijiet inflazzjonarji madwar id-dinja.

Id-deċiżjoni meħuda fuq livell Ewropew fl-2020 li jitneħħew temporanjament ir-regoli fiskali u r-regoli dwar l-għajjnuna mill-Istat, flimkien mal-ispazju fiskali li kien disponibbli minhabba s-*surpluses* fiskali tas-sinjura ta' qabel u l-livell relattivament baxx tad-dejn pubbliku, għenet lil-Gvern fl-inizjattivi tiegħu biex jiġu indirizzati l-isfidi tas-saħħa u dawk ekonomiċi relatati mal-pandemija, kif ukoll dawk li rriżultaw mill-gwerra fl-Ukraina. B'mod partikolari, iċ-Chairperson innotat l-miżuri ta' appoġġ fiskali mill-Gvern ta' Malta biex tinżamm l-istabbiltà fil-prezzijiet tal-enerġija u tal-ikel, u li kkontribwixxew għal rata ta' tkabbir b'saħħitha rreġistrata mill-ekonomija Maltija, li hija ogħla sew mill-medja tal-UE. Fl-istess ħin, madankollu d-defiċit fiskali ta' Malta rreġistrat matul is-sena huwa wkoll wieħed mill-ogħla fl-UE, u jaqbez sew il-limitu ta' 3%.

Fid-dikjarazzjoni tagħha, iċ-Chairperson iddeskriviet għadd ta' sfidi għas-sinjura li ġejjin. L-ewwel nett, Malta trid tkun ippreparata għal meta r-regoli fiskali jerġgħu jidhlu fis-seħħ, li huwa ppjanat li jseħħ fl-2024. It-tieni, meta ż-żminijiet ekonomiċi jippermettu, Malta trid tibni mill-ġdid l-ispazju fiskali li kien disponibbli qabel il-pandemija sabiex tkun tista' tiġġieled ix-xokkijiet negattivi fil-futur u ttejjeb ir-reżiljenza tal-ekonomija Maltija, filwaqt li tiżgura s-sostenibbiltà fit-tul tal-finanzi pubbliċi. Fl-aħħar nett, il-kompetittività internazzjonali ta' Malta għandha tiġi salvagwardjata, u jkomplu jiġu implimentati riformi biex jiġi żgurat li l-ekonomija tkun ippreparata b'mod adegwat biex tiffaċċja l-isfidi fit-tul assoċjati mat-

tibdil fil-klima u t-tranzizzjoni diġitali. Barra minn hekk, ir-riforma ppjanata fil-governanza fiskali tal-UE tista' ǧǧib ukoll bidliet fir-responsabbiltajiet tal-Kunsill u l-modus operandi tiegħu.

Il-Kunsill Fiskali jinnota b'mod pożittiv li matul l-2022, kif kien il-każ sa minn mindu ǧie stabbilit, it-tbassir makroekonomiċi u fiskali uffiċjali tal-Gvern tqiesu bħala plawżibbli, kif rifless fir-rapporti tal-evalwar ppubblikati matul is-sena. Il-Kunsill jenfasizza li tbassir ekonomiċi u fiskali realistiċi huma kontribut kruċjali għat-tfassil sod tal-politika.

Ir-Rapport Annwali fih żewġ kapitli tematiċi. L-ewwel kapitolu jippreżenta analiżi dwar il-prestazzjoni tal-Ministeru għall-Finanzi u x-Xogħol fit-tbassir tal-Prodott Gross Domestiku reali u nominali, filwaqt li l-kapitolu l-ieħor jagħti sommarju tal-Analiżi tas-Sostenibbiltà tad-Dejn tal-Kummissjoni Ewropea, li huwa propost li jkun għodda analitika importanti wara r-riforma tal-governanza ekonomika tal-UE. Dan l-aħħar kapitolu jiddeskrivi wkoll il-bidliet ewlenin proposti mill-Kummissjoni Ewropea f'din ir-riforma u jiddiskuti kif dawn jistgħu jaffettwaw lil Malta u l-pożizzjoni tagħha dwar is-sostenibbiltà tad-dejn.

Ir-Rapport Annwali għall-2022, li jinkludi r-rapporti finanzjarji awditjati, huwa disponibbli fuq is-sit elettroniku tal-MFAC: <http://www.mfac.org.mt>.