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PRESS RELEASE

Malta Fiscal Advisory Council publishes its assessment of the Annual Report 2022 issued by the Ministry for Finance and Employment

On 18 September 2023, the Malta Fiscal Advisory Council (MFAC) presented to the Minister for Finance and Employment its assessment of the Annual Report, which the Ministry published in June of this year. The Annual Report identifies any macroeconomic and budgetary deviations from the previous projections, evaluates compliance with the fiscal rules stipulated in the Fiscal Responsibility Act (Cap. 534 of the Laws of Malta) and analyses whether the 2022 budgetary results were in line with the 2021 Medium-Term Fiscal Strategy (MTFS) and the fiscal targets as updated in the Draft Budget Plan (DBP) for 2022.

The conflict between Russia and Ukraine dominated the global economic environment in 2022, elevating uncertainty and stifling global economic recovery from the COVID-19 pandemic while presenting new economic challenges for Malta and the European economy. The suspension of fiscal rules through the EU's general escape clause and the domestic exceptional circumstances clause remained active in 2022, facilitating fiscal flexibility to the Maltese Government to shield the economy from international pressures in energy and food prices. Indeed, the energy support measures retained the momentum of the economy by containing headline inflation but increased further the fiscal pressures, as the public deficit remains above the 3% SGP threshold. Consequently, while Malta achieved the second-highest real GDP growth rate in the EU at 7.1%, Malta's fiscal deficit ranks the fourth highest at 5.8% of GDP, though the public debt-to-GDP ratio remains below the 60% benchmark at 53.4%.

In the Assessment Report, the Council noted that the Ministry had underestimated macroeconomic prospects in its previous estimates. The stronger-than-anticipated macroeconomic performance led to higher fiscal revenue than anticipated by the Government in the 2021 MTFS and the DBP for 2022. However, the Government has also exceeded its expenditure targets, primarily attributed to the energy subsidies and the unplanned restructuring costs in relation to the national airline. The higher-than-expected increase in expenditure, which more than offset higher revenue derived from better economic performance, led to a higher deficit of around €150 million when compared to the MTFS projections and €130 million relative to the DBP. In its concluding statement, the Council put forward recommendations to the Government aimed at ensuring sound fiscal health combined with sustainable economic growth.

The full report, entitled "Assessment of the Annual Report 2022", is available on the website of the MFAC: http://www.mfac.org.mt.

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19 ta' Settembru 2023

STQARRIJA GĦALL-ISTAMPA

Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni tiegħu tar-Rapport Annwali għall-2022 ppublikat mill-Ministeru għall-Finanzi u x- Xogħol

Fit-18 ta' Settembru 2023, il-Kunsill Fiskali Konsultattiv Malti (MFAC) ippreżenta lill-Ministru għall-Finanzi u x-Xogħol l-evalwazzjoni tiegħu tar-Rapport Annwali tal-2022, li ġie ppubblikat mill-Ministeru f'Ġunju ta' din is-sena. Ir-Rapport Annwali jidentifika kwalunkwe devjazzjoni makroekonomika u baġitarja mit-tbassir preċedenti, jevalwa l-konformità mar-regoli fiskali stipulati fl-Att dwar ir-Responsabbiltà Fiskali (Kap. 534 tal-Liġijiet ta' Malta) u janalizza jekk ir-riżultati baġitarji tal-2022 kienu konformi mal-Istrateġija Fiskali ta' Terminu Medju (MTFS) tal-2021 u l-miri fiskali kif aġġornati fl-Abbozz tal-Pjan Baġitarju (DBP) għall-2022.

Il-kunflitt bejn ir-Russja u l-Ukrajna ddomina l-ambjent ekonomiku globali fl-2022, żied l-inċertezza u fixkel l-irkupru ekonomiku globali mill-pandemija tal-COVID-19, filwaqt li ppreżenta sfidi ekonomiċi ġodda għal Malta u l-ekonomija Ewropea. Is-sospensjoni tar-regoli fiskali permezz tal-klawżola liberatorja ġenerali tal-UE u l-klawżola lokali dwar ċirkostanzi eċċezzjonali baqgħet fis-seħħ fl-2022. Dan iffaċilita l-flessibbiltà fiskali għall-Gvern Malti biex jipproteġi l-ekonomija minn pressjonijiet internazzjonali fil-prezzijiet tal-enerġija u tal-ikel. Fil-fatt, il-miżuri ta' appoġġ fl-enerġija żammew r-ritmu ekonomiku billi trażżnet l-inflazzjoni għalkemm għad-dannu ta' pressjonijiet fiskali, hekk kif id-defiċit pubbliku għadu ogħla mil-livell limitu tat-3%. Konsegwentament, filwaqt li Malta kisbet it-tieni l-ogħla rata ta' tkabbir tal-Prodott Domestiku Gross (PDG) reali fl-UE ta' 7.1%, id-defiċit fiskali ta' Malta kklassifika r-raba' l-ogħla fil-livell ta' 5.8%

tal-PDG, għalkemm il-proporzjon tad-dejn pubbliku mal-PDG jibqa' taħt il-valur referenzjarju tas-60%, f'livell ta' 53.4%.

Fir-Rapport tiegħu, il-Kunsill innota li l-Ministeru kien issottovaluta l-prospetti makroekonomiċi fl-istimi preċedenti tiegħu. Il-prestazzjoni makroekonomika aktar b'saħħitha milli antiċipata wasslet għal dħul fiskali ogħla minn dak antiċipat mill-Gvern fl-MTFS tal-2021 u fid-DBP għall-2022. Madankollu, il-Gvern qabeż ukoll il-miri tan-nefqa tiegħu, primarjament attribwiti għas-sussidji tal-enerġija u l-ispejjeż ta' ristrutturar mhux ippjanati fir-rigward tal-linja tal-ajru nazzjonali. Iż-żieda ogħla milli mistennija fin-nefqa, li qabżet id-dħul ogħla ġġenerat minn prestazzjoni ekonomika aħjar, wasslet għal defiċit ogħla ta' madwar €150 miljun meta mqabbel mat-tbassir tal-MTFS u €130 miljun fir-rigward tad-DBP. Fil-konklużjoni tiegħu, il-Kunsill ressaq rakkomandazzjonijiet lill-Gvern bl-għan li tiġi żgurata saħħa fiskali soda flimkien ma' tkabbir ekonomiku sostenibbli.

Ir-rapport sħiħ, intitolat "Assessment of the Annual Report 2022", huwa disponibbli fuq is-sit elettroniku tal-MFAC: http://www.mfac.org.mt.