

Box 1: FISCAL RULES

DEBT RULE

A Member State is non-compliant with the debt requirement if its general government debt is greater than 60% of GDP and is not sufficiently diminishing and approaching 60% of GDP at a satisfactory pace.

BUDGET BALANCE RULE

A country must achieve and maintain its MTO, or otherwise converge to the MTO, through yearly structural effort, the magnitude of which, depends on the state of the economy. Malta's agreed MTO is structural balance, that is the cyclically-adjusted general government budget position, net of one-off and other temporary measures, should be in balance.

Signatories to the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG) (which covers, inter alia, all euro area Member States) have committed themselves to MTOs of at least -0.5% of GDP, unless their debt ratio is significantly below 60% of GDP and the risks in terms of the long-term sustainability of their public finances are low. In those cases, the lower limit for the balance is at -1.0% of GDP.

EXPENDITURE BENCHMARK

For Member States which have achieved the MTO, annual nominal expenditure growth (adjusted) should not exceed a reference medium-term rate of potential GDP growth (expressed in nominal terms), unless the excess is matched by discretionary revenue measures. In the case of Members States which have not yet attained their MTO, net expenditure growth must be lower, in line with a rate of growth which is below the reference potential growth rate.