deficit is to fall below 3.0% of GDP by 2025. All other independently produced forecasts show a correction in the fiscal deficit in all forecast years, which although to slightly varying degrees, observe a similar trajectory to that targeted by the MFE. The DBP scenario in this respect thus appears plausible, which is also supported by the fact that there is broad consensus around it. The same can be said for the debt-to-GDP ratio. Notwithstanding some differences in magnitude, the path for the gross debt-to-GDP ratio identified by the other institutions fits closely with the debt trajectory assumed by MFE. Indeed, the various institutions seem to corroborate that the debt-to-GDP ratio will be close to the 60.0% mark over the forecast years.

Furthermore, the MFAC positively notes that the COM is of the opinion that Malta's DBP is in line with the fiscal guidance contained in the Council recommendation of 12 July 2022 (see Box C).

Box C: COM's opinion on the DBP 2023

Following the Autumn 2022 Economic Forecast and consultations with the Member States, the COM published its Opinion on the Draft Budgetary Plans of all euro area countries on 22 November 2022.[65] The COM views Malta's DBP as based on a set of general macroeconomic assumptions that are plausible in 2022 and favourable for 2023. It also refers to the report issued on 23 May 2022, assessing the country's budgetary situation, which notes Malta's nonfulfillment of the 3% deficit to GDP Treaty reference value in 2021. However, fiscal rules were suspended in 2021 due to exceptional circumstances, and it was recommended, at the time, that countries still support economic recovery via expansionary fiscal policy.

Overall, the macroeconomic projections made by the COM are very much consistent and in line with the MFE's forecast. The expectations for the prices of imported goods and services, which are higher in the COM's estimates for 2022 and 2023, account for a little variance from the inflation scenarios anticipated by the MFE. Similarly, the COM's outlook for public finances is still fraught with significant uncertainty, including macroeconomic risks associated with the Russian invasion of Ukraine, increases in oil prices, and ongoing supply chain disruptions, but are still in line with those of the DBP. It also notes that there are no relevant differences

[65] The COM's opinion on the DBP is available here.

between the COM's forecast estimates of discretionary measures and those of the DBP and includes similar expenditures financed from RRF grants.

The COM's view is that, considering the changing environment, especially the expansionary fiscal attitude in 2022 and the substantial inflationary pressures, the growth of nationally sponsored primary current spending is consistent with the European Council's recommendation of 12 July 2022 to implement an overall neutral fiscal policy.[66] Indeed, the COM, when including the information from the DBP, projects the fiscal stance to shift from expansionary, to contractionary in 2023. Yet it notes that whilst Malta swiftly implemented energy measures as part of the emergency policy response to the exceptional energy price increases, a continuation of current and/or an implementation of new support measures in response to high energy prices would lead to higher growth in net nationally financed current expenditure and an increase in the anticipated government deficit and debt in 2023. The COM, therefore, recommends that Member States adopt incentives, such as price signals, which lower the energy demand, together with effectively targeting measures at the most vulnerable households and exposed businesses to increase energy efficiency.

In the 2023 Country Report, progress in implementing the country-specific recommendations will be thoroughly described and evaluated in consideration of the country-specific proposals that COM will present in spring 2023.

In general, the MFAC positively notes that the COM is of the opinion that Malta's DBP is in line with the fiscal guidance contained in the Council recommendation of 12 July 2022.

[66] The European Council's recommendations are available here.