



Malta: Half-Yearly Report 2016

Ministry for Finance
July 2016

Contents

1. Introduction	3
2. Review of the Macroeconomic Situation.....	4
3. The Impact of a Revised Macroeconomic Scenario on the Fiscal Situation	8
4. Corrective Measures	10
5. General Government Revenue and Expenditure Performance	12
6. Revised General Government Budgetary Targets	15
7. Collection of Revenue Arrears	17
8. Debt Developments and Targets	18
9. Consistency with Fiscal Rules and SGP Requirements	22
10. Annex Tables	23

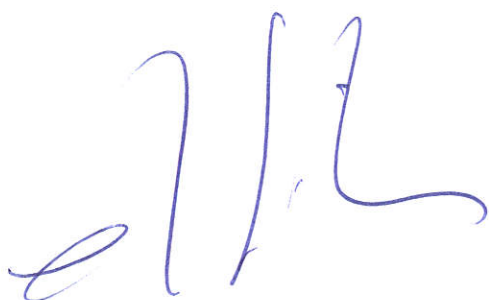
1. Introduction

The Half-Yearly Report is in line with Article 39 of the Fiscal Responsibility Act, and constitutes the second report of its kind.

In line with Article 39(8), the half-yearly report provides a review of the macroeconomic situation that includes the latest significant changes and trends since the finalisation of the final budget. It provides an assessment of the impact of a revised macroeconomic scenario on the fiscal situation and a presentation of necessary corrective measures being undertaken and/or to be taken to address such impacts. It explains how the implementation of the budget is consistent with Fiscal Rules and the Stability and Growth Pact requirements. It provides data on the general budget revenues and expenditure performance.

Revenue performance is detailed for each category of revenue, indicating the initial forecast, performance in the first six months and an updated forecast for the entire year. Expenditure performance is detailed by economic and functional classification, indicating the approved expenditure, the expenditure incurred in the first six months, and an updated forecast for the entire year. The report provides data on the General Government budgetary targets. It also presents data on the absorption of European funds and data on all outstanding creditors for the first six months of the years.

Finally, the report explains any shortfalls in the forecasted revenues and revenue arrears while it also provides data on Government debt developments and targets, and the financing of the budget deficit.

A handwritten signature in blue ink, appearing to be 'E. Scicluna', written in a cursive style.

Prof Edward Scicluna
Minister for Finance

2. Review of the Macroeconomic Situation

This section provides an economic update, including a table with the revised macroeconomic projections in comparison with the Budget projections together with a detailed explanation of the main changes.

2.1 Latest Economic Conditions

In 2015, Malta continued to be one of the top economic performers in the EU, achieving a real economic growth rate of 6.4 per cent, that being more than three times that of the EU average. While this exceptional growth is expected to moderate, Malta still expects a strong performance in 2016. In fact, latest data released by NSO shows that in the first quarter of 2016, the Maltese economy expanded by 5.2 per cent in real terms when compared to the first quarter of 2015, driven primarily by domestic demand reflecting strong growth in investment and private consumption.

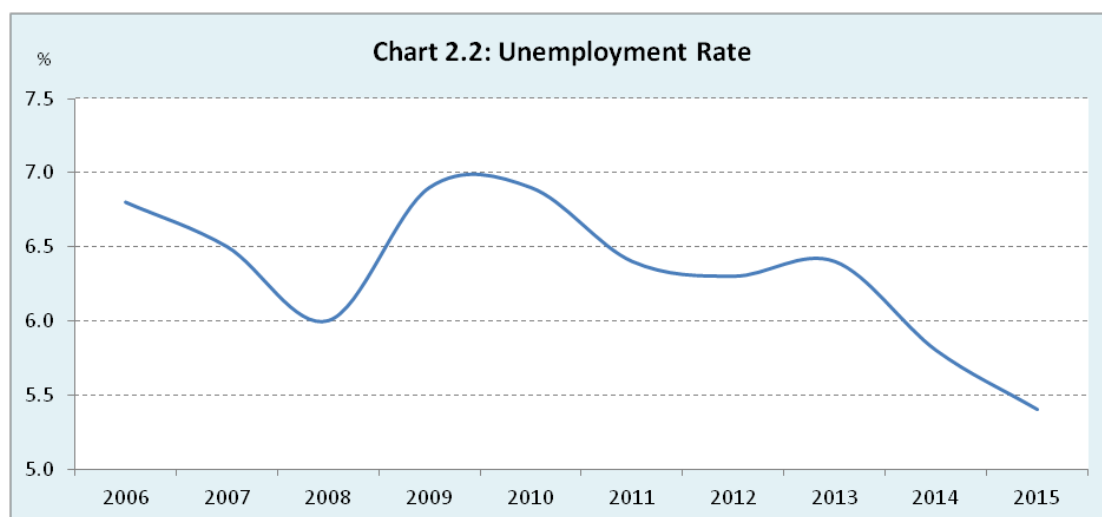


During the same period, total gross value added increased by €124.2 million, or 7.0 per cent, compared with a 7.7 per cent increase in the corresponding period of 2015. Growth was underpinned by a positive performance by nearly all economic sectors, dominated by strong performances in the service activities, particularly in, real estate (11.9 per cent), professional services (11.2 per cent) and information and communications services (9.5 per cent). Above average performance was also recorded in wholesale and retail activities with the accommodation and food services activities sector growing by 10.8 per cent over the same comparable period last year. Of particular note is that manufacturing has registered a strong growth of 6.8 per cent supported mainly by double digit growth in the manufacture of both traditional and emerging sub-sectors such as that of basic metals, computer, optical and electronic products, non metallic minerals, beverages, pharmaceuticals, furniture and food.

Total incomes grew by 7.6 per cent in the first quarter of 2016, underpinned by strong performances in both gross operating surplus and compensation of employees. Net taxes also contributed positively to growth having grown by 13.9 per cent from the same period of the previous year, mainly due to increases in tax revenue and a drop in subsidies.

2.1.2 Labour Market

The performance of the labour market during 2015, continued to exhibit impressive results as the increase in the activity rate translated into higher employment. Indeed, employment increased by 2.4 per cent, reaching an employment rate of 63.9 per cent in 2015. Moreover, the Labour Force Survey estimates indicate that during the first quarter of 2015, employment increased by 2.6 per cent when compared to the corresponding quarter of 2015. In the meantime, the unemployment rate has been following a sustained declining trend, decreasing from 5.8 per cent in 2014 to 5.4 per cent in 2015, the fourth lowest rate in the EU. Furthermore, during the first quarter of 2016, the unemployment rate continued with its declining trend to reach 4.9 per cent.



2.1.3 Inflation

After showing a declining trend from a rate of 1.9 per cent in April 2015 to a rate of 1.6 per cent in September 2015, HICP annual inflation decreased to 1.0 per cent in May 2016 compared to -0.1 per cent for EA19. Low inflation is mainly attributable to downward pressures in imported inflation from the main European trading partners and to declines in energy prices.

2.2 Comparison of macroeconomic projections

This section provides a comparative evaluation of the latest macroeconomic forecasts for 2016 published in the 2016-2019 Update of the Stability Programme document (hereinafter referred to as the Spring 2016 forecast) against the forecasts for the same year that underpinned the Budget 2016 projections in October 2015 (hereinafter referred to as the Autumn 2015 forecasts). This assessment aims to explain the main forecast revisions that were undertaken since October 2015. Data referred to in this section is shown in Table 1.

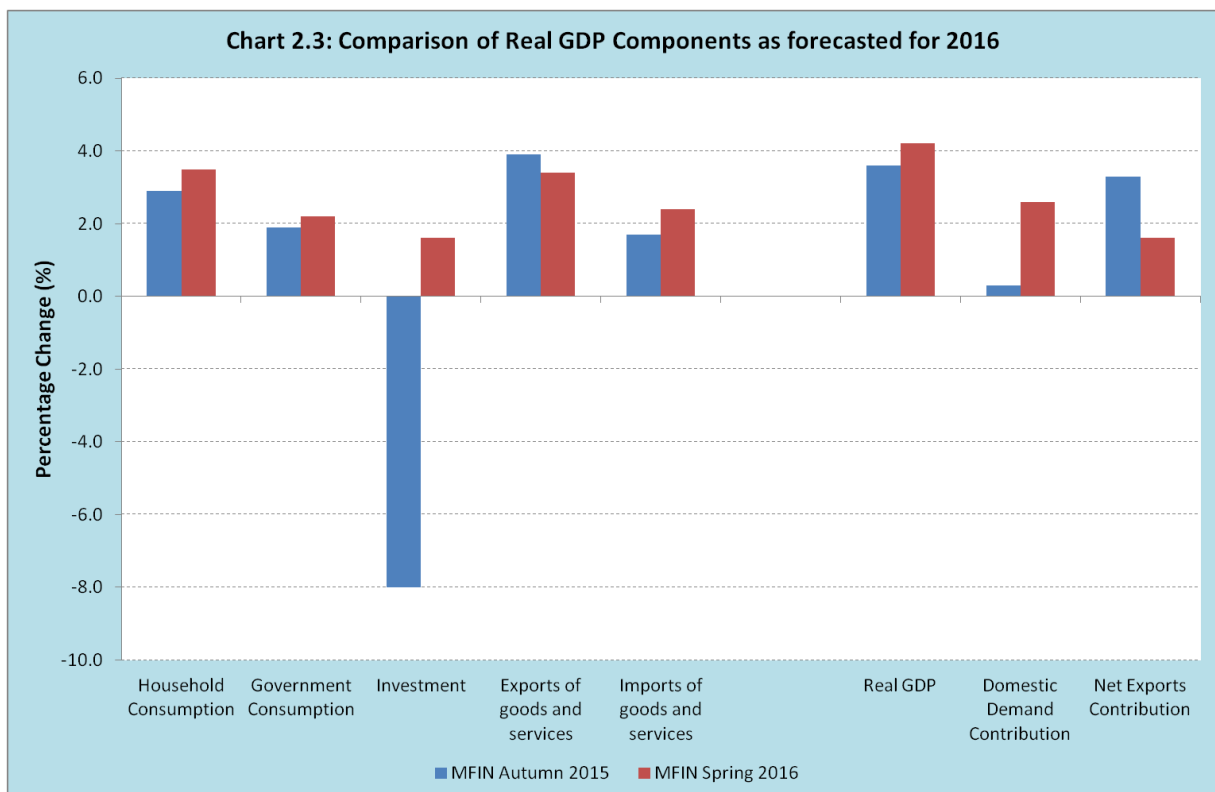
The Budget projections of October 2015 carried a cut-off date for the inclusion of statistics and other information of 22nd September 2015. As a result, forecasts were based on actual data for the first half of 2015 with 2015 being a forecast. In contrast, the cut-off date for the revised Spring forecasts

of April 2015 was 23rd March 2016 thus incorporating data for the whole of 2015 and the forecast period starting from the year 2016.

The headline real and nominal GDP growth rates have changed between the two forecasting exercises both due to ex ante and ex post reasons. Ex ante, statistical revisions in historical data resulted in forecast revisions. It is notable that while in Autumn 2015, the main driver of growth was expected to come from the external side of the economy, in Spring 2016 growth was expected to be primarily domestically-led with the external side of the economy still contributing positively to economic growth. Specifically, the revised contribution from domestic demand has increased by 2.3 percentage points over the two sets of forecast rounds while that for the external side of the economy has gone down from 3.3 percentage points in Autumn 2015 to 1.6 percentage points in Spring 2016, a revision of 1.7 percentage points.

This change in the composition of growth is primarily emanating from an upward revision in Gross Fixed Capital Formation (GFCF) and a corresponding upward revision in the importation of investment goods. Furthermore, the downward revision in external demand conditions mainly attributed to the deceleration in the US and China has also contributed to the downward revisions in export forecasts. On the other hand, stronger labour market developments including increased compensation of employees and a more subdued acceleration in prices have all contributed towards an upward revision in the contribution of the domestic demand component of the economy, particularly household consumption.

Chart 2.3 provides a graphical comparison of the differences in the projected components of real GDP for 2016 as estimated by MFIN in the Budget projections and the revised Spring 2016 projections.



2.2.2 Private Consumption

The revised forecasts presented by MFIN in Spring 2016 projected a stronger rate of growth in private consumption expenditure, an increase of 0.6 percentage points, when compared to the Autumn 2015 forecasts. The revision is primarily underpinned by a higher than expected increase in disposable income, which is in turn the result of favourable labour market developments, appreciation in wages, lower effective income tax rates and a relatively more subdued acceleration in consumer prices.

2.2.3 Public Consumption

Growth in government final consumption expenditure for 2016 has been revised upwards by 0.3 percentage points, to reach 2.2 per cent in MFIN's Spring forecast. The increase is mainly due to an upward revision in compensation of employees and intermediate consumption. It is noteworthy that market output and output for own final use has been revised marginally downwards.

2.2.4 Gross Fixed Capital Formation

The forecasted growth rate for GFCF in 2016 has been revised significantly upwards from -8.0 per cent in October 2015 to 1.6 per cent in April 2016. This revision reflects both the inclusion of a number of large one-off private and public investment projects and also updated information on the expected timing of outlays on these projects. In addition, private investment is expected to be supported by a number of measures announced in the Budget for 2016.

2.2.5 External Balance of Goods and Services

In the Spring forecasts, the pick-up in import-intensive domestic demand in 2016 was reflected in a rise in imports and consequently a declining contribution of net exports to economic growth during the same year. Exports were also revised marginally downwards reflecting a slower than previously anticipated pick-up in external demand conditions mainly attributed to the deceleration in US and China. Indeed, while real exports were revised downwards when compared to the Autumn vintage, real imports were revised upwards by 0.7 percentage points.

2.2.6 Inflation and Labour Market Developments

MFIN's Spring forecast exercise is expecting inflationary pressures to be more subdued, as the HICP inflation rate was revised downwards by 0.2 percentage points to reach 1.6 per cent in 2016. This revision is partly supported by lower oil prices and by lower imported inflation. Furthermore, labour market projections have been revised upwards while the unemployment rate is expected to continue falling in line with past trends.

2.2.7 Potential Output and the Output Gap

Malta's potential output growth has been revised upwards by 0.8 percentage points in MFIN's Spring forecasts, to reach 4.2 per cent in 2016. This revision is mainly due to a higher labour contribution consistent with a stronger than anticipated labour market and also a higher capital contribution following the revision in the forecast for GFCF. The estimate of the output gap was also revised upwards to 1.6 per cent as a result of the revisions in both estimates of GDP growth and potential output.

3. The Impact of a Revised Macroeconomic Scenario on the Fiscal Situation

This section provides an assessment of the impact of revised macroeconomic projections on main revenue projections and expenditure commitments. This section focuses exclusively on the macroeconomic projections which are used as input in the fiscal projections.

Between the Autumn of 2015 and Spring of 2016, fiscal projections were updated to take into consideration more recent economic data and revised external assumptions. In particular, the revised forecasts include private final consumption expenditure, tourist expenditure, employment, wages and profits.

While nominal GDP growth forecasts were revised upwards from 6.2 per cent to 6.8 per cent, the composition of growth in the Spring 2016 forecast became more balanced. This was due to a marginally stronger growth in wages reflecting stronger than anticipated labour market conditions and a marginally weaker growth in the profit component primarily reflecting the base effect of stronger profit growth registered in 2015. The overall growth in the indirect tax base for the Spring forecasts were revised upwards mainly to reflect an upward revision in household consumption.

It is to be noted that in ESA terms, revenue from Value Added Tax (VAT) in 2015 was negatively influenced by the timing of refunds reflecting the newly adopted policy by the VAT department to make advance provisions for SEPA payments. As a result of this administrative change, VAT revenue increased less dynamically in 2015 relative to the respective tax base but is expected to temporarily increase more dynamically than the tax base in 2016. This factor was taken into account in the Spring projections. The composition of growth together with the correction for SEPA provision was such as to result in higher revenue from consumption taxes by €6 million. Revenue from taxes on income, as projected in Spring 2016 was revised upwards to reflect the stronger than anticipated growth in employment and wages when compared to the Autumn forecasts. Whilst the growth in profits was revised marginally downwards, revenue from corporate taxes was revised upwards in reflection of the higher tax revenue recorded in 2015 in excess of what was anticipated in the Autumn 2015 forecast. As a result of these developments, income tax was revised upwards by €39.3 million and social security contributions were revised upwards by €9.3 million. Revenue from customs and excise duties were revised downwards by €3 million, while revenue from licences, taxes and fines, particularly stemming from streams from Duty on Documents, were revised upwards by €16.5 million reflecting the strengthening of the property market.

Expenditure projections are generally not significantly influenced by revisions in macroeconomic forecasts. However, lower inflationary projections and consequently a lower COLA assumption can have a significant effect on social benefits. Given that COLA is estimated on the basis of the inflation rate of the previous year, both set of projections for 2016 were based on the same COLA of €1.75. Hence, the revisions in expenditure projections were unrelated to changes in macroeconomic forecasts.

Whilst Government monitors the macroeconomic situation on an ongoing basis, Government is still in the process of updating its economic outlook with respect to the latest developments. Revisions in fiscal projections beyond those contemplated in Spring 2016 are consequently not driven by

macroeconomic indicators but by fiscal performance indicators for the first six months of 2016. While some of the macroeconomic risks which were highlighted in the Medium Term Budget Framework, such as BREXIT, have now materialised, at present the short term indicators do not point to a revision of the macroeconomic assessment. National accounts figures suggest that economic activity for the first quarter of 2016 was stronger than that forecasted for the whole year, while export performance for goods and services (net of the volatile fuel component) is also looking buoyant. The same applies for household consumption. Employment indicators suggest that the labour market may once again surprise on the upside. Inflation also appears in line with forecasts. Growth in investment remained strong in the first quarter of this year. However, the significant revision in gross fixed capital formation undertaken in 2015 makes it challenging to attain the forecast growth rates presented in Spring 2016 due to the base effect.

In the meantime, fiscal performance indicators suggest that revenue performance is marginally stronger than target particularly in the case of taxes on income, social security contributions and some elements of indirect taxes. Revenue from VAT is approximately on target. Nevertheless given past seasonal forecast variances an upward revision in revenue is not justified at this stage except in the case of indirect tax revenue excluding VAT.

4. Corrective Measures

This section includes any adjustments effected in order to maintain the budgetary targets following a review of revenue targets and expenditure commitments as a result of revised macroeconomic projections and revised budgetary commitments. The analysis in this section is based on data as classified in the Statement of the Consolidated Fund, where such data is defined on a cash basis rather than on an accruals system.

Against the background of a stronger than anticipated economic performance and the revised macroeconomic projections, revenue is now expected to be more buoyant than originally anticipated in the Budget Estimates. However, some elements of this revision are considered cyclical. As a result and in order to comply with the structural targets as outlined in the Fiscal Responsibility Act, most of the additional revenue will be utilised for fiscal consolidation. The Government is now targeting a lower deficit in the Consolidated Fund and also in accrual terms. The deficit in the Consolidated Fund has been revised downwards by €56.0 million to €140.0 million while the general Government budget deficit in ESA terms has also been revised downwards by €32.0 million to €70.0 million. The general Government budget deficit is now expected to reach 0.7 per cent of GDP compared to the original target of 1.1 per cent of GDP contained in the Budget Estimates. This is consistent with the Medium Term Fiscal Strategy for Malta which was presented to Parliament in June 2016.

Table 2 shows the revenue and expenditure performance for the first six months of 2016 as compared to the same period in 2015, incorporating also the respective revised positions for 2016 as compared to the original budget which was approved in December 2015. The revised position is based on the outturn for 2015, the revised macroeconomic forecasts and factors in, as and where applicable, an extrapolation of performance for the first six months of the year, amongst other parameters. It may be noted that in the main, these variances have already been reflected in the 2016 - 2019 Stability Programme for Malta which was published in April this year.

4.1 Revenue

An increase in revenue equivalent to 0.8 per cent of GDP is expected to ensue by the end of 2016, when compared to the original budget. By way of Tax Revenue, the originally approved amounts under Income Tax and Social Security Contributions, Customs and Excise, Licences, Taxes & Fines as well as Value Added Tax have been revised upwards by a total €74.2 million, based on revenue performance to-date and in reflection of expected economic activity up to the end of the year.

Under the Non-Tax Revenue category, no significant revisions are being envisaged to occur by year-end.

4.2 Recurrent Expenditure

When compared to the original budget, a net increase in recurrent expenditure equivalent to 0.1 per cent of GDP is expected to ensue by the end of 2016. This net amount was arrived at after factoring in a total of 0.1 per cent of GDP in downward budgetary adjustments which were deemed necessary for budget containment purposes.

Disaggregated according to the respective recurrent expenditure categories, the factors contributing to this variance amounted to +€7.5 million for Operational and Maintenance and +€9.3 million in respect of Government Entities. By contrast, there are downward revisions of -€4 million in the Personal Emoluments category and -€0.6 million within Programmes and Initiatives.

The main driving factors for the upward revision under the Operational and Maintenance category includes compensation payments falling due as well as costs relating to the EU Presidency.

With regards to the Contributions towards Government Entities, when compared to the original budget, it is anticipated that supplementary funding will be required in respect of certain agencies.

Downward revisions under the Personal Emoluments category reflect expected containment in the absorption of the additional recruitment originally planned to occur in the public service, while a slight decrease is expected under the Programmes and Initiatives category.

The above mentioned adjustments are in addition to transfers of funds affected within various recurrent expenditure votes, through which other shortfalls have been covered by means of compensatory savings, both for purposes of the Fiscal Responsibility Act as well as by way of corrective action aimed at deficit containment.

When compared to the approved budget, interest payments on public debt are expected to be €1.5 million lower than originally estimated.

4.3 Capital Expenditure

Based on claims being made, a net increase in capital expenditure of €6.7 million, equivalent to 0.1 per cent of GDP is expected to ensue by the end of 2016, when compared to the original budget.

This variance includes an increase in expenditure to cover projects which were funded out of the EU 2017 - 2013 funding programme, but also include elements that are not considered as being eligible for EU funding and need to be met out of national funds. This net amount was arrived at after factoring in a total 0.2 per cent of GDP representing downward budgetary adjustments which were deemed necessary for deficit containment purposes.

4.4 General Government Adjustments

Apart from expected improvements from time adjusted tax sources, revisions in the general Government forecasts include the equity injection in Air Malta, which is now no longer considered as being deficit neutral in view of updated information received regarding its financial position, necessitating a deficit increasing adjustment of €12.0 million. Furthermore, a provision of €28.0 million has been factored into the projections, to cater for estimated outlays from the National Development and Social Fund in 2016.

5. General Government Revenue and Expenditure Performance

This section provides an analysis on revenue and expenditure performance for the first six months of 2016 relative to the original budgetary targets. Data provided in this section is based on the European System of Accounts (ESA) 2010 methodology. Actual data is used for the first quarter of 2016, whereas estimated and therefore provisional data is used for the second quarter. It is important to note that the data presented below is not comparable to that classified in the statement of Consolidated Fund as provided in Section 4 of this Report. An explanation of how accrual data is derived from the Consolidated Fund data is provided in Table 6a.

The assessment of the fiscal performance against budgetary targets and the fiscal rules, as required by the Fiscal Responsibility Act, has to be undertaken on the basis of ESA2010 data, which is adjusted for accruals. Given that general Government accrual data for the second quarter of 2016 is not yet fully available, the reported budgetary performance of general Government for the first half of 2016 should be treated as provisional. Moreover, the analysis provides a comparison against the projections underpinning the 2016 Budget. This evaluation coupled with the revised macroeconomic projections, constitute the basis for the revised projections highlighted in this Report. Data referred to in this section is shown in Table 6b.

During the period January to June 2016, general Government revenue is estimated to have increased by €106.8 million or 6.5 per cent over the comparable period in 2015, mainly on account of higher tax revenue. Developments during the first half of 2016 suggest that revenue performance is likely to be stronger than anticipated in the 2016 Budget. However, notwithstanding the upward revision in the 2016 revenue projections, an element of prudence, as evidenced by the low assumed elasticity to forecast macroeconomic developments when compared to historical performance, remains prevalent.

Revenue from current taxes on income and wealth is estimated to have increased by €69.4 million, reflecting the sustained positive performance of the labour market and an increase in revenue from income tax paid by companies. The implied growth rate in current taxes on income and wealth of 12.2 per cent recorded during the first half year of 2016 compares favourably to the prudent growth rate of 6.1 per cent estimated in the 2016 Budget for the entire year. Moreover, during the first six months of 2016, Government has collected half the estimated revenue from current taxes on income and wealth in the 2016 Budget for the year, compared to 46 per cent over the same period in 2015. The stronger than anticipated growth in the relevant tax bases in 2016 as well as the better than estimated outturn, provide sufficient basis for the revised projections for 2016 for the revenue component.

Revenue from taxes on production and imports is expected to have recorded an increase of €48.3 million or 9.0 per cent during the first six months of 2016. In October 2015, the growth in this item of revenue was forecasted at 6.6 per cent, suggesting a stronger than anticipated performance in the first six months of 2016. Of the €584.7 million in revenue collected from taxes on production and imports, €329.3 million relate to Value Added Tax (VAT) proceeds. While revenue from VAT for the January to June 2016 period is estimated to have registered a growth rate of 12.2 per cent, it is worth noting that, as outlined in Chapter 3, VAT revenue in 2015 was negatively influenced by the timing of refunds reflecting the newly adopted policy by the VAT department to make advance

provisions for SEPA payments. As a result, VAT revenue is expected to increase more dynamically than the tax base in 2016, which factor has been taken into account in the Spring 2016 projections.

During the first two quarters of 2016, revenue from social security contributions is estimated to have increased by 2.2 per cent or €6.3 million, compared to an estimated increase of 4.1 per cent. In view of the stronger anticipated growth in employment and wages when compared to the Autumn forecasts, revenue projections for social security contributions have been revised upwards. Around 46 per cent of the estimated social contributions for the current year have been collected in the first six months of 2016, compared to 47 per cent share collected during the same period in 2015.

The 'other' category of revenue recorded lower proceeds when compared to the first half of 2015. This mainly reflected lower receipts from other receivable capital transfers and lower absorption of EU funds linked to the beginning of the new programming period 2014-2020. However, these declines were already contemplated and accounted for in the 2015 Autumn forecasts.

During the first six months of 2016, general Government expenditure is estimated to have declined by €65.0 million, compared to the same period of 2015. These developments primarily reflect lower expenditure on gross fixed capital formation, capital transfers and the 'other' category of expenditure, which more than offset the higher expenditure on social payments and compensation of employees. In the 2016 Budget projections, general Government expenditure was forecast to remain relatively unchanged in 2016.

The estimated decline in Gross Fixed Capital Formation of €74.1 million is mainly underpinned by lower expenditure on projects in part financed from EU funds in view of the new programming period 2014-2020. Over the first six months of 2016, the Government has spent around 38 per cent of the approved investment expenditure for 2016, as compared to 45 per cent over the comparable period in 2015. However, this component of expenditure was revised upwards in the Spring 2016 round to reflect higher than expected capital expenditure by EBUs.

During the first six months of 2016, capital transfers are estimated to have declined by €41.8 million over the same period in 2015, thus representing around 25 per cent of the approved capital transfers for 2016. It is worth noting that over the comparable period of 2015, Government's capital transfers constituted about 48 per cent of actual capital transfers in 2015. These developments primarily reflect the lower equity injection in Air Malta which took place in the first quarter of 2016. Moreover, Government is scaling back capital transfers in an effort to sustain further the expenditure-based consolidation, which factor has been taken into account in the Spring 2016 projections.

During the first half of this year, the 'other' category of expenditure is estimated to have declined by €12.4 million. In the 2016 Budget, it was estimated that this component of expenditure would increase by €16.4 million in 2016. Consequently, on account of higher actual expenditure in 2015, which turned out €20.8 million higher than anticipated in Autumn 2015, expenditure classified under the 'other' category of expenditure was revised upwards in Spring 2016 in order to ensure that expenditure projections remain realistic.

Expenditure on compensation of employees is estimated to have increased by 5.4 per cent during the first half of 2016, marginally below the projected increase in Autumn 2015. Developments

estimated for the first half of the current year reflect the expected absorption of the additional recruitment originally planned to occur in the public service, which developments have been taken into consideration the revised projections for 2016. However, a marginal upward revision in this component of expenditure was undertaken in relation to expenditure by EBUs. The performance in the first six months indicates a growth which is in line with the revised budgetary targets.

Meanwhile, a more buoyant increase in social security payments and subsidies is estimated for the first half of 2016 relative to the original budgetary targets. Indeed these expenditure components are estimated to have increased by 6.2 per cent and 5.8 per cent during the first half of 2016, compared to a growth rate of 3.1 per cent estimated for social payments and a decline of 4.0 per cent in subsidies projected in the 2016 Budget. The performance of social security payments expenditure recorded during the first six months of 2016 may however also reflect different timing of payments due. Moreover, it is to be highlighted that the downward revision in this expenditure category undertaken in the budget target for 2016 reflected the reclassification of expenditure on medicines and surgical materials to intermediate consumption. Meanwhile, an upward revision in expenditure on subsidies was effected in Spring 2016.

Projections for intermediate consumption have been revised upwards compared to the original budgetary estimates, reflecting higher anticipated expenditure by EBUs and incidental expenses, as well as due to the reclassification of medicines and surgical materials referred to earlier. Intermediate consumption is now projected to rise by 4.8 per cent in 2016 in contrast to an increased of 0.9 per cent reported during the first half of the year.

6. Revised General Government Budgetary Targets

The following section provides data on the General Government budgetary targets as proposed in the 2016 Budget, and the revised forecast primarily reflecting the revised macroeconomic scenario and the performance indicators discussed above. Data in this section is in accordance with ESA standards.

Government remains committed to ensuring a sustainable fiscal position by gradually reducing the fiscal imbalance. During the current fiscal year, the general Government balance is expected to decline further from 1.5 per cent of GDP for 2015 to 0.7 per cent of GDP in 2016. In addition to the measures outlined in the 2016 Budget, the Government will undertake further additional consolidation measures during this year. These measures are expected to sustain further the expenditure-based consolidation and strengthen the improvement in the structural balance to 0.8 percentage points of GDP, compared to the effort of 0.6 percentage points of GDP outlined in the 2016 Budget.

In 2016, revenue is expected to increase by €28.2 million or by 0.8 per cent over the previous year and amount to €3,711.3. The projections for general Government revenue have been revised upwards by €108.5 million. The main contributors towards this upward revision are Taxes on Production and Imports and Current Taxes on Income and Wealth, which in aggregate account for €85.3 million of the upward revision. The revisions in such categories reflect a more favourable macroeconomic performance and fiscal outcome in 2015 than was contemplated in the 2016 Budget and the result of improvements in revenue collection.

Revenue from taxes on production and imports is expected to increase by 7.8 per cent reaching €1,281.7 million in 2016, supported by the strength of domestic demand conditions and the incremental impact of various budget measures. Upward revisions in indirect tax revenue amounting to €46.0 million also reflect the correction for SEPA provision and the further strengthening of the property market. It is also worth noting that actual revenue from taxes on production and imports in 2015 were €30.4 million higher than those estimated in October 2015 and this explains three-quarters of the upward revision.

Revenue from current taxes on income and wealth is expected to increase by 5.5 per cent and to amount to €1,305.6 million in 2016 whilst revenue from social contributions is expected to rise by 4.9 per cent to €625.8 million. A stronger than anticipated growth in employment and wages when compared to the Autumn forecasts, as well as a higher than anticipated corporate tax revenue in 2015, substantiate the upward revision in revenue from current taxes on income and wealth by €39.3 million and in social security contributions by €6.3 million.

Proceeds from capital taxes are expected to amount to €15.8 million by year end, implying a growth rate of 5.7 per cent in 2016. The upward revision carried out to the approved budgetary estimate for capital taxes, which includes revenue from inheritance taxes, death duties and taxes on gifts, reflects developments during the first six months. Meanwhile, the estimate for property income has remained relatively unchanged at €95.8 million.

In 2016, general Government expenditure is expected to decline marginally by 0.8 per cent to €3,781.3 million, mainly reflecting lower expenditure related to capital projects financed from EU funds received under the 2007-2013 Financial Framework as well as due to a significantly lower

equity injection in Air Malta. Nevertheless, projections for general Government expenditure have been revised upwards by €76.5 million, mainly reflecting upward revisions in intermediate consumption and gross fixed capital formation.

Intermediate consumption is expected to increase by 4.8 per cent to €624.9 million in 2016. This item of expenditure was revised upwards by €38.9 million when compared to the 2016 Budget forecast. The upward revision mainly reflects higher than anticipated expenditure amounting to €27.6 million by EBUs, higher incidental expenses of €6.9 million, and a reclassification of expenditure on medicines and surgical materials amounting to €5.9 million from social benefits expenditure to intermediate consumption. These revisions were in part offset by additional efforts to control expenditure towards intermediate consumption.

The approved budgetary estimate for investment expenditure was revised upwards by €36.3 million, of which €21.3 million relates to an upward revision of capital expenditure by EBUs.

The 'other' category of expenditure was revised upwards by €26.3 million, underpinned by a provision towards expenditure financed by the National Development and Social Fund amounting to €28 million.

Expenditure towards compensation of employees is expected to increase by 5.0 per cent in 2016 to amount to €1,172.4 million. The 2016 Budget estimate for compensation of employees was only marginally revised upwards by €2.4 million. The increase was kept marginal as a result of cost saving measures contemplated in the Consolidated Fund of €4 million. The latter reflects the expected absorption of the additional recruitment originally planned to occur in the public service.

Capital transfers are expected to decline considerably in 2016, mainly underpinned by a significantly lower equity injection in Air Malta and fiscal consolidation measures as highlighted in the Medium Term Fiscal Strategy. In the revised forecasts, this category of expenditure has been revised further downwards by €20.6 million.

Social benefits expenditure is expected to grow by 3.0 per cent reaching €1,063.9 million in 2016. This category of expenditure has been revised downwards compared to the 2016 Budget estimate mainly in view of the reclassification of expenditure to intermediate consumption referred to earlier. It is worth noting that social payments in 2015 turned out to be €4.4 million less than that estimated in October 2015 supported by low inflation and the in-depth Comprehensive Spending Review on social security expenditure.

In 2016, subsidies are expected to decline marginally from their 2015 level and to amount to €108.5 million. As a result, this item of expenditure remained relatively unchanged in the revised estimates. Meanwhile, interest payments were revised downwards by €2.4 million, reflecting favourable market conditions characterised by a low interest rate environment.

7. Collection of Revenue Arrears

This section provides an explanation on the collection of revenue arrears, indicating the measures taken in this regard.

In terms of Article 29(a)(ii) of the Fiscal Responsibility Act, the presentation of the annual budget was to include quarterly targets for the recovery of revenue arrears. In conformity with this legal obligation, a statement entitled 'Recovery of Revenue Arrears' has been published at Appendix 'I' of the Financial Estimates for 2016.

The projections incorporated into this statement refer to nine (9) per cent of the net collectable stock position obtaining for all line Ministries on 31 December 2014, as reported to the Accountant General in 2015.

Towards this end, the Ministry for Finance has been in contact with all line Ministries who undertook action necessary towards collection of the arrears detailed in the mentioned statement.

Actual revenue arrears collected for the first half of the year, broken down by Ministry, Department and Entity, may be seen at Table 9. By time of publication, replies had not been received from the Institute for Tourism Studies, whilst the amount shown in the second quarter in respect of the Ministry for Sustainable Development, the Environment and Climate Change, refers to the cumulative amount covering the first and second quarters.

It will be noted that the original targeted amount of €21.7 million as appearing in Appendix I of the 2016 Financial Estimates, has in fact been exceeded, reaching €35.7 million by the end of the second quarter.

The Ministry for Finance shall continue to follow up its correspondence with the line Ministries involved, to ensure compliance with the relevant provisions of the Act and the collection of amounts due to Government.

8. Debt Developments and Targets

The following section provides information on the debt developments and the components of General Government debt in the first six months of 2016, and a comparison of the revised forecasts of debt for the entire year with the 2016 Budget targets. It also provides details on the main developments in the Eurozone sovereign bond market and in the domestic Malta Government Stocks (MGS) market in the first six months of 2016.

8.1 Debt Developments

The Government's core medium-term fiscal objective of achieving sustainable public finances hinges on two major targets;

- (1) Continue to gradually reduce the deficit and;
- (2) Continue to reduce the debt-to-GDP ratio at a satisfactory pace.

General Government debt developments and prospects are illustrated in Table 10. Debt-to-GDP ratio in 2015 continued on a sustained downwards trajectory, declining by 3.2 percentage points to reach 63.8 per cent of GDP.

The 2016 estimated General Government debt-to-GDP ratio as presented in the 2016 Budget has been revised downwards by 2.8 percentage points, to 62.4 per cent of GDP, during the first six months of 2016. This mainly reflects a more buoyant macroeconomic environment, supported by sustained economic growth, which has continued throughout the first six months of 2016 and which is expected to continue throughout 2016.

Moreover, the contractionary impact of the primary balance on the debt-to-GDP ratio strengthened from 1.3 percentage points in the 2016 estimates to 1.6 percentage points in the 2016 revised level. This growing primary surplus has contributed to further reductions in the gross debt. The expansionary impact that interest expenditure is expected to have on gross debt has been reduced by 0.1 percentage points from the 2016 estimates.

The expansionary impact of the stock-flow adjustment on the debt-to-GDP ratio has increased from 1.4 percentage points in the 2016 estimates, to 1.9 percentage points in the 2016 revised projections. This is mainly attributable to an increase in the cash holdings on part of Government. Furthermore, the payments made to Government for the accruals accumulated by Enemalta have now been completed and thus no value has been attributed to the stock-flow adjustment for Enemalta accruals for 2016.

The implicit interest rate on debt declined from 3.9 per cent presented in the 2016 Budget estimates, to 3.8 per cent in the 2016 revised projections. The foreign loan balance (99% of which are held in domestic currency) was not revised in the first six months of 2016, and at 0.3% accounted for a relatively small percentage of the total gross debt. During the first six months of 2016, the weighted average maturity of Malta Government Stocks (MGS) portfolio has been extended to 8.9 years when compared to 8.7 years at the end of 2015. The share of maturing stock in total Government debt remained unchanged from the 2016 Budget estimates at 7.1 per cent.

8.2 Components of General Government Public Debt

The Government's debt policy objective is to ensure that the financing needs of the public sector are met at the lowest possible cost while maintaining a prudent level of risk. The Government aims to ensure that debt levels remain sustainable while simultaneously minimising short, medium and long-term gross debt and interest rate risks.

Table 11 illustrates the Statement of General Government sector debt. Actual General Government public debt as at 30th June 2016 stood at €5,857.8 million, up by €195.2 million over the corresponding period last year. This was the result of higher outstanding MGS issues and larger short-term funding from Treasury Bills which added €161.7 million and €82.7 million respectively. The latter is equivalent to a 1.3 percentage points increase out of total Government debt. Moreover, there was an increase in outstanding levels of debt held by EBU's/Local Councils of €10.5 million as well as higher level of Euro coins issued in the name of the Treasury, which went up by €7.3 million when compared to the coin stock as at the end of June 2015. The increase in the levels of debt arising from the above-mentioned components of debt was partly offset by the repayment on their expiration of domestic loans with commercial banks amounting to €56.4 million and repayment of foreign loans amounting to €10.5 million.

The General Government debt for 2016 has been revised marginally upwards by €13.5 million, when compared to the Budget estimates for 2016, on account of higher levels (than previously projected) of debt held by EBU/Local Councils amounting to €10.1 million and an increase of €2.1 million in the issue of Euro coins in the name of Treasury. The upward revision of the outstanding level of MGS by €40.4 million and a corresponding downward revision of €39 million in the outstanding levels of Treasury Bills highlight a fine tuning in the debt management strategy away from issuing debt in the short-term in favour of medium to long-term debt. In fact, whereas the outstanding level of MGS was revised upwards by 0.4 percentage points out of total Government debt, the Government's short-term funding in terms of Treasury Bills has been revised downwards from 6.6 per cent in the 2016 Budget estimates to 5.9 per cent of total Government debt in the 2016 revisions. The other components of general government debt have not been revised for 2016.

8.3 Main developments in the Eurozone sovereign bond market between January and June 2016

Financial markets started 2016 on a negative note as renewed concerns about the health of the Chinese economy, especially its elevated debt levels and lowered investor confidence, resulted in significant stock market losses worldwide. Although stock markets started to recover from mid-February onwards, the Eurozone benchmark German Bund yield resumed its descent, after seven months of relative stability, owing to this revived 'risk-off' mood, breaching the zero percent level for the first time in history in mid-June.

Nevertheless, the Eurozone's sovereign debt markets were predominantly influenced by two main events during H1 2016:

- (i) On the back of persistent nominal and real Eurozone inflation data undershooting the mandatory target of close to but less than 2%, the ECB adopted further monetary easing measures by cutting all its policy rates, expanded its asset purchase program and

launched a new purchase programme (corporate sector purchase programme - CSPP) specifically to purchase investment-grade euro-denominated bonds issued by non-bank corporations. The ECB also launched another round of loan financing operations with Eurozone commercial banks (TLTRO II), on condition that such loans are used to increase credit within the Eurozone economy. The overall effect of these measures was to intensify the downward pressures across the entire Eurozone's money market rates and sovereign yield curves, whilst concurrently raising new market liquidity issues.

- (ii) The apparently unexpected result of the UK's referendum on European Union membership, held on 23rd June, created another bout of panic reactions and uncertainty across global financial markets, which led to heightened volatility. The benchmark German Bund's 10-year yield dropped, reaching record negative levels as investors sought refuge in 'safe heaven' assets. A similar trend was noted across Eurozone sovereigns, including the perceived weaker peripheral countries' (Italy, Spain, Portugal and Greece) bond yields although some widening of spreads against the German Bund were initially noticed but then tightened again as investor sentiment calmed down in the days immediately following the referendum. Protracted uncertainty about the nature of the new political and economic relationship between the UK and the EU, and on the effect of 'Brexit' on both economies, is expected to materially impinge on Eurozone sovereign bond markets in the short- and medium-term.

Other factors which affected Eurozone sovereign bond markets during the first six months of 2016, albeit to a lesser extent, were political uncertainty in Spain following inconclusive elections in December 2015, and fresh apprehensions about the strength of the Eurozone's banking sector, especially the high amounts of non-performing loans present on Italian banks' balance sheets.

8.4 Local Developments in the domestic MGS market

During the month of January, the yield in the secondary market on the ten-year MGS dropped by 24bps to 1.12% and remained roughly stable around these levels throughout February. By the end of February, the comparable maturity benchmark yield in the Euro Area dropped by 52bps which resulted in the widening of spread by 27bps in the first two months of 2016. The spread narrowed in March as the yield on the ten-year MGS dropped to 0.90% whilst the benchmark 10-year Bund rose by 5bps. The yield on the ten-year MGS hovered around 1% from April until the 3rd week of June underlining a somewhat more stable market conditions relative to those prevailing at the beginning of 2016. After this relative period of tranquillity, by the end of June the spread on the ten-year MGS widened by 24bps from 75bps (at the end March) to 99bps on the back of strong performance by 10-year benchmark Bund which fell into negative territory for the first time ever in mid-June 2016 on Brexit's concerns. By the end of June the yield on the ten-year MGS dropped to 0.86% in line with the Euro Area benchmark yield, mirroring the reaction to the Brexit vote impact on the global financial markets.

In the period under review the yields in the five-year MGS (short-term) and the twenty-year (long-term) MGS declined in line with most Euro Area sovereign bonds. At the end of June the yield on the five-year MGS stood at 0.24% or 19bps lower than it was at the beginning of the period under review. Similarly, the yield on the twenty-year MGS closed at 2.11% that is 29bps lower than it stood at the beginning of January 2016. Notwithstanding the drop in yields for both maturities, the

spreads over the comparable maturity benchmark Bunds widened for both of them. The widening of the spreads was more pronounced in the long term (86bps) MGS.

8.5 Primary Market

In the first half of 2016, the Treasury successfully launched two MGS issuances, one in February and the second in March/April. Both issuances attracted robust demand from both retail and institutional investors.

The first issuance of €120 million plus €80 million over-allotment was opened for both retail and institutional investors. The Treasury offered two new fixed rate stocks, a 6-year MGS bearing a coupon of 1.5% and 20-year 2.5% MGS. The retail sector continued to show strong support for government paper such that the nominal amount applied exceeded €200 million. The Treasury was constrained to call off the auction for Institutional investors since the whole MGS issue was oversubscribed by retail investors. The Treasury allotted €3 million in the 6-year MGS and €196.7 million in the 20-year MGS.

The second MGS issue was launched towards the end of March 2016 specifically targeting institutional investors which were been crowded out by the retail investors in the first issuance. The amount on issue was €50 million with an over-allotment option of a further €30 million. In this issuance the Treasury re-opened the stocks launched in the first issuance of the year. The issuance attracted strong demand from institutional investors with the Treasury raising €80 million after receiving in excess of €151 million nominal value of bids in the two Stocks. The Treasury allotted €55 million in the 6-year MGS and €25 million in the 20-year MGS.

During the first six months of the year, Treasury issued a total of €279.7 million nominal MGS; representing 46.6 per cent of the maximum amount permissible under the approved Estimate for 2016 which was set not to exceed €600 million.

As a result of higher allotment of MGS in the long-term end of the curve in H1-2016, the weighted average maturity (WAM) of the MGS portfolio was extended further to 8.9 years from 8.7 years at the end of 2015.

9. Consistency with Fiscal Rules and SGP Requirements

The following section explains how fiscal rules established by the Fiscal Responsibility Act (FRA) and the Stability and Growth Pact (SGP) are being adhered to in view of the revisions proposed in the budgetary projections, in the absence of exceptional circumstances.

The fiscal rules established by the FRA and SGP bind national fiscal authorities to achieve a balanced structural budget, or in its absence, converge towards the medium-term budgetary objective. The aim is also to maintain the public debt at sustainable levels over the medium and long-term. Furthermore, a general Government debt ratio greater than 60 per cent of GDP should be sufficiently diminishing and approaching the 60 per cent of GDP benchmark at a satisfactory pace.

The Spring 2016 projections indicate that in 2016, the Maltese economy is expected to continue growing at a more buoyant pace than was expected in Autumn 2015, mainly underpinned by stronger than anticipated labour market conditions and investment outlays. In recent weeks, some of the macroeconomic risks highlighted in the Medium Term Budget Framework have materialised. However, as explained in Chapter 3, short term indicators do not point to the need for a revised macroeconomic assessment at this point in time.

The output gap for 2016 based on the Spring forecasts is being projected at 1.6 per cent of potential output, similar to that estimated for 2015. Based on this macroeconomic assessment, Government should target a structural effort in excess of 0.5 percentage points of GDP in 2016. In view of the shortfall in the structural effort for 2015 mainly due to temporary factors as explained in the Medium Term Fiscal Strategy for Malta, Government has actually revised upwards its targeted effort in excess of the minimum. This will ensure that the fiscal consolidation process remains on target to reach the Medium Term Budget Objective as established by the European Commission's calendar of convergence.

Indeed, based on the unchanged macroeconomic projections of Spring 2016 and expected one-off revenues of 0.1 per cent of GDP, by virtue of the revised fiscal projections, the improvement in the structural balance has been revised to 0.8 percentage points of GDP in 2016, compared to the effort of 0.6 percentage points of GDP contemplated in the 2016 Budget. These targets are in line with Government's medium term fiscal policy strategy. It is also worth noting that revenue and expenditure performance for the first six months suggests that such targets are achievable and the attainment of the structural targets in compliance with the Fiscal Responsibility Act remain attainable.

On account of the revised fiscal projections, the primary surplus is expected to have a stronger contractionary effect on the debt-to-GDP ratio when compared to the Autumn 2015 forecasts. Indeed, the primary surplus is expected to increase from 1.1 per cent of GDP in 2015 to 1.6 per cent of GDP in 2016. On account of the more pronounced projected growth rate of nominal GDP of 6.8 per cent and the revised primary surplus ratio, the gross debt ratio is expected to decline by 1.4 percentage points of GDP in 2016, in line with the requirements of the Fiscal Responsibility Act (i.e. the Debt Rule). The revised debt projections presented in this report are also consistent with the forward-looking debt rule.

10. Annex Tables

Main Macroeconomic Indicators

Table 1

	2012 ⁽¹⁾	2013 ⁽¹⁾	2014 ⁽¹⁾	2015 ⁽¹⁾	2016 ^{af}	2016 ^{sf}
GDP growth at current Market Prices (%)	4.9	6.2	5.5	8.9	6.2	6.8
GDP growth at chain-linked volumes by period (reference	2.9	4.3	3.5	6.4	3.6	4.2
Expenditure Components of GDP						
chain-linked volumes by period (reference year 2010)						
Private Final Consumption Expenditure ⁽²⁾	-0.3	2.2	2.3	5.5	2.9	3.5
General Government Final Consumption Expenditure	6.4	0.1	7.2	5.0	1.9	2.2
Gross Fixed Capital Formation	-1.2	-1.4	7.9	42.5	-1.0	1.9
Exports of Goods and Services	7.0	0.6	0.1	1.8	3.9	3.4
Imports of Goods and Services	5.4	-0.7	-0.2	5.2	1.7	2.4
Contribution to GDP growth:						
Domestic Demand	0.01	0.01	0.04	0.12	0.30	2.60
Inventories	-0.01	0.01	-0.01	-0.01	0.00	0.00
Net Exports	0.03	0.02	0.01	-0.05	3.30	1.60
Inflation rate (%)	3.2	1.0	0.8	1.2	1.8	1.6
Employment growth (%)⁽³⁾	2.5	3.7	5.1	3.2	2.0	2.7
Unemployment rate (%)	6.3	6.4	5.8	5.4	5.6	5.3
Potential GDP growth	2.8	3.2	3.6	4.3	3.4	4.2
Output Gap	-1.2	-0.4	-0.3	1.6	0.6	1.6

Notes:

af - Autumn (Budget) Forecasts

sf - Spring (Revised) Forecasts

⁽¹⁾ Actual data Source: NSO News Release No. 108/2015 - GDP Release 2015/Q1

⁽²⁾ Includes NPISH final consumption expenditure

⁽³⁾ LFS resident population concept definition

Central Government Finances - Consolidated Fund

Table 2

	Jan - Dec 2015 <i>Actual</i> € 000	Jan - Dec 2016 <i>Approved Estimates</i> € 000	Jan - Jun 2015 <i>Actual</i> € 000	Jan - Jun 2015 <i>Actual</i> as a % of 2015	Jan - Jun 2016 <i>Actual</i> € 000	Jan - Jun 2016 <i>Actual</i> as a % of 2016
Revenue	3,634,798	3,613,244	1,607,398	44.2	1,657,056	45.9
Tax Revenue	3,195,485	3,279,838	1,337,154	41.8	1,489,175	45.4
<i>Indirect Tax Revenue</i>	1,271,274	1,287,438	548,328	43.1	605,724	47.0
Customs and Excise Duties	290,405	283,980	112,531	38.7	129,941	45.8
Licenses, Taxes, and Fines	280,871	274,458	135,121	48.1	156,243	56.9
Value Added Tax	699,998	729,000	300,676	43.0	319,540	43.8
<i>Direct Tax Revenue</i>	1,924,211	1,992,400	788,826	41.0	883,451	44.3
Income Tax	1,184,628	1,206,700	464,415	39.2	522,841	43.3
Social Security	739,583	785,700	324,411	43.9	360,610	45.9
Non-Tax Revenue	439,313	333,406	270,244	61.5	167,881	50.4
Fees of Office	51,723	51,150	12,507	24.2	12,771	25.0
Reimbursements	28,794	30,195	10,549	36.6	12,423	41.1
Public Corporations	0	815	0	0.0	0	0.0
Central Bank of Malta	48,000	50,000	36,000	75.0	36,000	72.0
Rents	29,262	30,680	15,673	53.6	17,552	57.2
Dividends on Investments	34,936	37,150	8,698	24.9	11,942	32.1
Repayment of Interest on Loans	360	356	132	36.7	72	20.2
Grants	176,165	99,468	157,090	89.2	58,284	58.6
Miscellaneous	70,073	33,592	29,595	42.2	18,837	56.1
Total Expenditure⁽¹⁾	3,867,634	3,809,244	1,762,373	45.6	1,767,684	46.4
Recurrent Expenditure	3,056,834	3,205,598	1,443,163	47.2	1,529,621	47.7
Personal Emoluments	742,428	790,010	341,193	46.0	359,510	45.5
Operations and Maintenance	160,294	159,375	77,306	48.2	90,387	56.7
Programmes and Initiatives	1,858,878	1,923,511	881,106	47.4	913,002	47.5
Contributions to Government Entities	295,234	332,702	143,558	48.6	166,722	50.1
Interest Payments	232,331	226,890	116,164	50.0	111,787	49.3
Capital Expenditure	578,469	376,756	203,046	35.1	126,276	33.5
Foreign Funds	288,522	99,468	82,090	28.5	15,835	15.9
National Funds (incl Co Financing)	289,947	277,288	120,956	41.7	110,441	39.8
Consolidated Fund Balance	-232,836	-196,000	-154,975		-110,628	

Notes:

af - Autumn Forecasts (Approved Estimates)

⁽¹⁾ Excluding sinking fund contributions, direct loan repayments and equity acquisition

Half-Yearly Budgetary Execution on Cash Basis in ESA codes⁽¹⁾

The data for 2015Q2 was partly estimated and is to be considered as provisional

Table 3

	Jan-June 2015 <i>Actual</i> € 000	Jan-June 2016 <i>Provisional</i> € 000
Consolidated Fund⁽²⁾	-157,971	-110,628
1. Total Revenue	1,522,933	1,573,311
Taxes, of which:	1,013,036	1,124,014
Current Taxes on Income, Wealth, etc	490,828	550,771
Taxes on Production and Imports, of which:	522,208	573,243
VAT	300,676	319,540
Social Contributions	275,844	282,491
Market Output	17,230	29,250
Current Transfers	3,042	35,634
Capital Transfers	162,685	51,946
Property Income	51,095	49,976
2. Total Expenditure	1,680,904	1,683,939
Intermediate Consumption	186,299	201,589
Compensation of employees	403,933	424,432
Interest	114,784	108,456
Subsidies	42,376	38,161
Social Benefits	490,199	505,421
Current Transfers	329,860	351,444
Capital Transfers Payable	34,080	6,092
Capital Investment	79,373	48,345

Notes:

⁽¹⁾ In line with the Council Directive 85/2011 monthly fiscal data requirements as published by the NSO, link: http://nso.gov.mt/en/Services/Council_Directive/Pages/Council-Directive-85_2011.aspx

⁽²⁾ The difference in the Consolidated Fund balance between Table 2 and Table 3 is the equity injection to national air carrier which is included as expenditure within the 'Capital transfers payable' item in Table 3 but not in Table 2.

Central Government Finances by Expenditure Vote (Consolidated Fund)

Table 4

	Jan - Dec 2015 <i>Actual</i> € 000	Jan - Dec 2016 <i>Approved Estimate</i> € 000	Jan - Jun 2015 <i>Actual</i> € 000	Jan - Jun 2015 <i>Actual as a % of 2015</i> %	Jan - Jun 2016 <i>Actual</i> € 000	Jan - Jun 2016 <i>Actual as a % of 2016</i> %
Recurrent Expenditure						
1 Office of the President	4,001	3,868	1,716	42.9	2,071	53.5
2 House of Representatives	3,699	9,194	1,761	47.6	2,062	22.4
3 Office of the Ombudsman	1,140	1,025	400	35.1	600	58.5
4 National Audit Office	2,700	2,900	1,575	58.3	1,680	57.9
5 Office of the Prime Minister	32,627	27,201	13,503	41.4	20,297	74.6
6 Public Service Commission	561	681	252	44.9	268	39.4
7 Information	1,237	1,350	569	46.0	496	36.7
8 Government Printing Press	1,324	1,434	663	50.1	636	44.4
9 Electoral Office	7,795	2,099	5,260	67.5	995	47.4
10 Government Property Division	8,912	5,275	2,965	33.3	3,315	62.8
11 Ministry for European Affairs and Implementation of the Electoral Manifesto	15,215	32,867	4,794	31.5	7,134	21.7
12 Ministry for Foreign Affairs	23,632	30,326	10,660	45.1	11,741	38.7
13 Ministry for Education and Employment	228,029	242,364	110,632	48.5	128,943	53.2
14 Education	204,430	216,059	98,325	48.1	105,177	48.7
15 Ministry for Sustainable Development, the Environment and Climate Change	53,795	66,303	22,192	41.3	24,219	36.5
16 Ministry for Transport and Infrastructure	84,549	95,149	42,821	50.6	44,280	46.5
17 Ministry for Gozo	27,465	29,759	12,670	46.1	13,556	45.6
18 Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	12,257	12,043	4,931	40.2	4,428	36.8
19 Industrial and Employment Relations	1,219	1,419	549	45.0	738	52.0
20 Ministry for the Economy, Investment and Small Business	34,489	34,434	16,262	47.2	17,655	51.3
21 Commerce	1,832	2,015	809	44.2	863	42.8
22 Ministry for Finance	127,037	119,874	62,747	49.4	48,191	40.2
23 Treasury	6,055	11,314	3,257	53.8	3,090	27.3
24 Pensions	91,967	91,124	47,235	51.4	49,778	54.6
26 Inland Revenue	7,960	8,309	3,743	47.0	4,023	48.4
27 V.A.T.	5,995	6,181	2,556	42.6	3,088	50.0
28 Customs	10,972	11,287	5,340	48.7	5,281	46.8
29 Contracts	1,504	1,999	685	45.5	749	37.5
30 Economic Policy	1,234	1,462	612	49.6	484	33.1
31 Ministry for Energy and Health	65,812	73,754	24,482	37.2	38,046	51.6
32 Health	449,485	466,889	225,417	50.2	239,062	51.2
33 Ministry for the Family and Social Solidarity	59,837	59,917	38,109	63.7	31,405	52.4
34 Social Policy	252,540	269,825	99,211	39.3	110,438	40.9
35 Social Security Benefits	868,378	898,700	407,831	47.0	423,169	47.1
36 Social Welfare Standards	1,062	1,232	528	49.7	526	42.7
37 Elderly and Community Care	84,922	88,025	41,233	48.6	46,198	52.5

Central Government Finances by Expenditure Vote (Consolidated Fund)

Table 4

	Jan - Dec 2015 <i>Actual</i> € 000	Jan - Dec 2016 <i>Approved Estimate</i> € 000	Jan - Jun 2015 <i>Actual</i> € 000	Jan - Jun 2015 <i>Actual as a % of 2015</i>	Jan - Jun 2016 <i>Actual</i> € 000	Jan - Jun 2016 <i>Actual as a % of 2016</i>
38 Ministry for Justice, Culture and Local Government	27,600	37,906	12,615	45.7	17,532	46.3
39 Judicial	13,412	13,956	6,500	48.5	6,567	47.1
40 Local Government	37,881	40,286	18,667	49.3	18,721	46.5
41 Ministry for Tourism	53,605	50,791	23,137	43.2	29,778	58.6
42 Ministry for Home Affairs and National Security	20,481	16,777	11,409	55.7	6,674	39.8
43 Armed Forces of Malta	44,203	45,946	20,139	45.6	20,353	44.3
44 Police	57,148	59,084	26,736	46.8	27,115	45.9
45 Correctional Services	10,864	10,935	5,103	47.0	5,093	46.6
46 Probation and Parole	1,032	1,078	458	44.4	487	45.2
47 Civil Protection	4,940	5,682	2,104	42.6	2,619	46.1
TOTAL RECURRENT EXPENDITURE	3,056,834	3,210,098	1,443,163	47.2	1,529,621	47.7
25 Public Debt Servicing						
Contribution to Sinking Fund - Local	3,261	3,261	1,631	50.0	1,631	50.0
Contribution to Special MGS Sinking Fund	25,000	50,000	5,000	20.0	5,000	10.0
Interest - Local	230,406	224,997	114,652	49.8	110,723	49.2
Repayment of Loan - Local	349,377	474,489	69,882	20.0	137,172	28.9
Contribution to Sinking Fund - Foreign	6,465	6,465	3,233	50.0	3,233	50.0
Interest - Foreign	1,817	1,330	1,418	78.0	1,063	79.9
Interest - Short-term borrowing	108	563	94	87.0	---	---
TOTAL PUBLIC DEBT SERVICING	616,434	761,105	195,910	31.8	258,822	34.0
TOTAL RECURRENT EXPENDITURE AND PUBLIC DEBT SERVICING	3,673,268	3,971,203	1,639,073	44.6	1,788,443	45.0
Capital Expenditure						
I Office of the President	122	217	7	5.7	54	24.9
II Office of the Prime Minister	14,894	10,945	11,827	79.4	6,377	58.3
III Ministry for European Affairs and Implementation of the Electoral Manifesto	38,163	70,551	19,233	50.4	11,890	16.9
IV Ministry for Foreign Affairs	2,050	1,582	1,145	55.9	456	28.8
V Ministry for Education and Employment	83,484	33,051	25,327	30.3	13,872	42.0

Central Government Finances by Expenditure Vote (Consolidated Fund)

Table 4

	Jan - Dec 2015 <i>Actual</i> € 000	Jan - Dec 2016 <i>Approved Estimate</i> € 000	Jan - Jun 2015 <i>Actual</i> € 000	Jan - Jun 2015 <i>Actual as a % of 2015</i>	Jan - Jun 2016 <i>Actual</i> € 000	Jan - Jun 2016 <i>Actual as a % of 2016</i>
VI Ministry for Sustainable Development, the Environment and Climate Change	95,467	40,722	38,045	39.9	17,977	44.1
VII Ministry for Transport and Infrastructure	79,757	75,335	23,598	29.6	18,115	24.0
VIII Ministry for Gozo	14,511	6,364	3,579	24.7	961	15.1
IX Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	3,138	1,671	1,026	32.7	323	19.3
X Ministry for the Economy, Investment and Small Business	60,422	32,579	21,093	34.9	15,996	49.1
XI Ministry for Finance	20,748	29,808	17,095	82.4	21,943	73.6
XII Ministry for Energy and Health	108,104	28,164	18,613	17.2	5,619	20.0
XIII Ministry for the Family and Social Solidarity	5,623	5,358	2,272	40.4	1,576	29.4
XIV Ministry for Justice, Culture and Local Government	23,856	10,162	7,521	31.5	1,948	19.2
XV Ministry for Tourism	9,749	6,707	573	5.9	1,621	24.2
XVI Ministry for Home Affairs and National Security	18,381	23,540	12,092	65.8	7,548	32.1
TOTAL CAPITAL EXPENDITURE	578,469	376,756	203,046	35.1	126,276	33.5
XI Ministry for Finance Investment - Equity Acquisition	44,071	14,584	4,055	9.2	12,484	85.6
TOTAL CAPITAL EXPENDITURE AND INVESTMENT	622,540	391,340	207,101	33.3	138,760	35.5
TOTAL EXPENDITURE	4,295,808	4,362,543	1,846,174	43.0	1,927,203	44.2

Central Government Finances by Functional Classification of Expenditure (Consolidated Fund)

Table 5

	Personal Emoluments		Operational and Maintenance Expenses		Programmes and Initiatives		Contributions to Government Entities	
	Approved	Actual	Approved	Actual	Approved	Actual	Approved	Actual
	Estimate	Jan-Jun	Estimate	Jan-Jun	Estimate	Jan-Jun	Estimate	Jan-Jun
	2016	2016	2016	2016	2016	2016	2016	2016
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
General Public Services	88,677	35,918	31,814	13,092	187,113	79,341	10,351	4,732
Defense	38,936	18,098	6,697	2,169	800	203	0	0
Public Order and Safety	88,851	40,701	10,937	4,939	4,446	2,118	7,758	4,199
Economic Affairs	72,613	33,050	10,799	8,197	123,550	59,232	78,062	41,423
Environmental Protection	1,374	449	319	62	30,290	10,496	21,975	10,764
Housing and Community Affairs	3,360	1,212	1,386	331	572	0	4,732	1,340
Health	237,125	108,565	57,943	34,022	126,688	74,466	48,030	23,969
Recreation, culture and religion	8,555	3,894	1,123	542	12,626	3,656	19,503	8,198
Education	200,405	93,852	18,837	12,448	115,504	67,051	107,576	52,716
Social Protection	50,114	23,772	19,519	14,586	1,321,922	616,441	34,715	19,383
Total	790,010	359,510	159,375	90,387	1,923,511	913,002	332,702	166,722

	Interest Expenditure		Capital Expenditure		Total expenditure	
	Approved	Actual	Approved	Actual	Approved	Actual
	Estimate	Jan-Jun	Estimate	Jan-Jun	Estimate	Jan-Jun
	2016	2016	2016	2016	2016	2016
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
General Public Services	226,890	111,787	42,583	14,496	587,428	259,365
Defense	0	0	6,551	4,190	52,984	24,660
Public Order and Safety	0	0	39,167	9,646	151,159	61,602
Economic Affairs	0	0	204,345	66,108	489,369	208,009
Environmental Protection	0	0	11,035	724	64,993	22,495
Housing and Community Affairs	0	0	8,135	5,922	18,185	8,805
Health	0	0	14,398	5,033	484,185	246,055
Recreation, culture and religion	0	0	17,736	5,023	59,544	21,312
Education	0	0	29,241	10,653	471,563	236,718
Social Protection	0	0	3,565	4,481	1,429,835	678,662
Total	226,890	111,787	376,756	126,276	3,809,244	1,767,684

Notes:

1. Data refers to the total expenditure of the Consolidated Fund and is not fully consistent with the General Government sector expenditure by function published by the NSO. The General Government expenditure by the classification of functions of government (COFOG) data is compiled by NSO on an annual basis with a delay of one year.

2. Data are in line with the COFOG classifications as published in the Government Finance Statistics Manual 2001 (ISBN 1-58906-061-X).

Transition between Consolidated Fund and General Government sector by period

Table 6a

	2015 <i>Jan - Jun</i> € 000	2016 <i>Jan - Jun</i> € 000	
Consolidated Fund Surplus / Deficit	-154,975	-110,628	1
Adjustments to the Consolidated Fund:			
Loan Repayment	-2,013	0	
Equities, acquisitions (+)	0	0	2
Equities, sales (-)	0	0	
Other financial transactions	0	0	3
Difference between interest paid (+) and interest accrued (-)	1,319	1,458	4
Other accounts receivable (+) and payable (-)	-62,804	-20,514	5
Time-adjusted cash transactions	64,009	80,404	6
Treasury Clearance Fund flows in non-financial transactions	24,018	49,565	
Sinking Fund interests' received	1,633	1,638	
Interest receivable	440	64	
Adjustment Stock premium proceeds	-3,637	-5,316	7
Quarterly adjustments	-38,165	-29,610	8
EFSF re-routing	137	98	9
Equity injection	-43,012	-11,984	10
Debt assumption	0	0	
Other adjustments	-1,189	0	
 Net Borrowing (-) / Net Lending (+) of Extra Budgetary Units	 3,345	 5,733	 11
 Net Lending (+) / Net Borrowing (-) of Local Government	 -149	 -149	 12
Net Lending (+) / Net Borrowing (-) of General Government	-211,043	-39,239	

Notes:

1. Consolidated Fund Surplus/Deficit as published on a monthly basis by the NSO.
2. Acquisition of shares in international agencies.
3. Superdividend test - Dividends paid out of accumulated reserves.
4. Difference between the interest paid and accrued of the Treasury Bills, Malta Government Stocks and Foreign Loans. Includes interest receivable.
5. Accruals adjustment for all the Budgetary Central Government. Includes amongst which: Treasury Department accrual templates, adjustment for EU Funds neutrality, church stock adjustment and emission trading permits.
6. In line with Council Regulation 2516/2000, the method of recording of taxes and social contributions is the time-adjusted method.
7. The difference between the issue value and the par value, i.e. the premium, of the Malta Government Stocks is apportioned throughout the lifetime of the security.
8. Quarterly adjustments necessary to fulfil compliance with the ESA2010 methodology and the Manual on Government Deficit and Debt. On an annual basis these sum up to 0.
9. Re-routed operations of the European Financial Stability Facility.
10. Equity injection to Air Malta plc. The debt-to-equity conversion in January 2015 failed the capital injection test. Previous equity injections to the national air carrier feature as expenditure in the Consolidated Fund Surplus / Deficit.
11. The aggregated net borrowing (-) / net lending (+) of the extra budgetary units forming part of the Central Government Sector.
12. The aggregated net borrowing (-) / net lending (+) of the 68 local councils, 5 Regional Committees and Local Councils Association.

For further information on the ESA 2010 adjustments refer to Malta's EDP Inventory at:

http://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A2/Public_Finance/Pages/Government-Debt-and-Deficit-under-the-Maastricht-Treaty.aspx

General Government Budgetary Execution and Prospects in Accordance with ESA Standards

The data for 2015Q2 was partly estimated and is to be considered as provisional

Table 6b

	ESA Code	2015 <i>Actual</i>	2016 <i>Budget Forecast</i>	Jan-Jun 2015 <i>Actual</i>	Jan-Jun 2016 <i>Provisional</i>	2016 <i>Revised Forecast</i>
		€ 000	€ 000	€ 000	€ 000	€ 000
Net lending (+)/net borrowing (-)						
1. General Government	S.13	-128,999	-102,000	-211,043	-39,239	-70,000
2. Central Government	S.1311	-130,102	-100,787	-210,083	-39,091	-68,786
3. State Government	S.1312	-	-	-	-	-
4. Local Government	S.1313	1,103	-1,214	-149	-149	-1,214
5. Social Security funds	S.1314	-	-	-	-	-
For the General Government						
6. Total Revenue	TR	3,683,092	3,602,765	1,643,036	1,749,870	3,711,268
Of which						
Taxes on Production and Imports	D.2	1,189,108	1,235,765	536,364	584,704	1,281,728
Current Taxes on Income, Wealth, etc.	D.5	1,237,575	1,266,330	567,376	636,815	1,305,630
Capital Taxes	D.91	14,978	13,461	7,243	6,706	15,830
Social Contributions	D.61	596,307	619,524	280,237	286,523	625,824
Property Income	D.4	99,836	95,647	57,224	54,278	95,771
Other ^(a)		545,288	372,037	194,591	180,844	386,485
7. Total Expenditure	TE	3,812,091	3,704,765	1,854,078	1,789,109	3,781,268
Of which						
Compensation of employees	D.1	1,116,412	1,170,026	554,681	584,703	1,172,425
Intermediate Consumption	P.2	596,455	586,057	262,495	264,797	624,934
Social Payments	D.6	1,033,218	1,069,834	512,520	544,087	1,063,878
Interest Expenditure	D.41	227,692	218,369	112,347	108,681	215,965
Subsidies	D.3	110,563	106,878	54,641	57,814	108,476
Gross Fixed Capital Formation	P.51	402,338	283,045	182,543	108,420	319,314
Capital Transfers	D.9	129,573	79,048	61,678	19,843	58,424
Other ^(b)		195,840	191,507	113,175	100,765	217,853
8. Gross Debt ^(c)		5,621,318	5,858,774	5,662,571	5,857,804	5,872,296

Notes:

^(a) P.11 + P.12 + P.131 + D.39rec + D.7rec + D.9rec (other than D.91rec).

^(b) D.29 + D.4pay (other than D.41pay) + D.5pay + D.7pay + P.5M + NP + D.8.

^(c) As defined in Council Regulation (EC) No 479/2009 (OJ L 145, 10.6.2009, p. 1).

Annual Aggregate Budgetary Targets in Accordance with ESA standards

Table 7

	ESA Code	2015 % GDP	2016 ^{af} % GDP	2016 ^{sf} % GDP
Net lending (+)/Net borrowing (-) by sub-sector				
1. General Government	S.13	-1.5	-1.1	-0.74
2. Central Government	S.1311	-1.5	-1.1	-0.73
3. State Government	S.1312	-	-	-
4. Local Government	S.1313	0.0	0.0	0.0
5. Social Security funds	S.1314	-	-	-
General Government (S.13)				
6. Total Revenue	TR	41.8	40.1	39.4
7. Total Expenditure	TE	43.3	41.2	40.2
8. Interest Expenditure	D.41	2.6	2.4	2.3
9. Primary Balance ^(a)		1.1	1.3	1.6
10. One-off and other temporary measures ^(b)		0.1	0.1	0.1
11. Real GDP growth (%)		6.4	3.6	4.2
12. Potential GDP growth (%)		4.3	3.4	4.2
13. Output Gap (%)		1.6	0.6	1.6
14. Cyclical Budgetary Component		0.7	0.3	0.7
15. Cyclically-Adjusted Balance (1 - 14)		-2.2	-1.4	-1.5
16. Cyclically-Adjusted Primary Balance (15 + 8)		0.4	1.0	0.8
17. Structural Balance (15 - 10)		-2.3	-1.5	-1.6

Notes:

af - Autumn (Budget) Forecasts as a % of Autumn GDP forecasts

sf - Revised Forecasts as a % of Spring GDP forecasts with updated National Accounts data

^(a) The primary balance is calculated as (B.9, item 1) plus (D.41, item 8).

^(b) A plus sign means deficit-reducing measures.

Outstanding Creditors¹

Table 8

Vote	Ministry/Department	Outstanding Creditors	
		2014Q4 €	2015Q2 €
1	Office of the President	125,269	11,016 ²
2	House of Representatives	0	33,752 ²
5	Office of the Prime Minister	4,461,221	316,673 ²
6	Public Service Commission	0	46 ²
7	Information	4,678	11,852 ²
8	Government Printing Press	0	1,840 ²
9	Electoral Office	0	0
10	Government Property Division	44,849,860	45,151,120 ²
11	Ministry for European Affairs and Implementation of the Electoral Manifesto	0	263,218 ²
12	Ministry for Foreign Affairs	13,228	211,326 ²
13	Ministry for Education and Employment	1,807,986	874,899 ²
14	Education	1,220,171	385,322 ²
15	Ministry for Sustainable Development, the Environment and Climate Change	1,916,182	3,994,865 ²
16	Ministry for Transport and Infrastructure	6,639,368	3,491,369 ^{2,3}
17	Ministry for Gozo - Corporate	28,300	72,192 ²
	Ministry for Gozo - Customer Services	4,925	117,195
	Ministry for Gozo - Projects & Development	182,643	300,433 ²
18	Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	73,596	37,753 ²
19	Industrial and Employment Relations	0	436
20	Ministry for the Economy, Investment and Small Business	8,510	19,077 ²
21	Commerce	132,585	144,462
22	Ministry for Home Affairs and National Security	88,189	144,310 ²
23	Armed Forces of Malta	171,079	260,019 ²
24	Police	685,300	21,329 ²
25	Correctional Services	65,582	65,582 ⁴
26	Probation and Parole	0	79 ²
27	Civil Protection	219,364	229,593 ²
28	Ministry for Finance	308,079	53,594 ²
29	Treasury	5,663	1,278,878 ²
30	Pensions	0	0
32	Inland Revenue	190,250	4,473 ²
33	VAT	8,882,592	63,133
34	Customs	142,475	10,280 ²
35	Contracts	56	1,757 ²
36	Economic Policy	6,631	98,670 ²
37	Ministry for Energy and Health (Energy)	1,271,557	703,372 ²
	Parliamentary Secretary for Health (Health)	0	210,616 ²
38	Health	1,236,564	4,350,714 ²
	Mater Dei Hospital	17,284,709	13,985,993
	Gozo General Hospital	965,996	1,042,455 ²
	Government Pharmaceutical Services	23,800,880	11,894,363
	Sir Paul Boffa Hospital	773,219	1,708,643 ²
	Primary Health Care	125,061	368,971 ²
39	Ministry for the Family and Social Solidarity	53,697	25,909 ²
40	Social Policy	34,541	10,340 ²
41	Social Security Benefits	1,703,000	1,976,371 ²
42	Social Welfare Standards	8,200	20,073 ²
43	Elderly and Community Care	16,471,872	14,811,449 ²

Outstanding Creditors¹

Table 8

Vote	Ministry/Department	Outstanding Creditors	
		2014Q4	2015Q2
		€	€
44	Ministry for Justice, Culture and Local Government	13,641	2,227,733 ²
	Notary to Government	2,645	0
	Attorney General	318	4,043 ²
45	Judicial	451,130	36,379 ²
46	Local Government	302,731	0 ^{2,5}
47	Ministry for Tourism	479,252	83,787
	Institute of Tourism Studies	189,404	60,686 ²
Total Outstanding Creditors		137,402,200	111,192,441⁶

Notes:

1. The creditors balances represent amounts owed by the Government to suppliers. Such balances have been invoiced or formally agreed with the supplier but were not paid as of the respective reporting dates. The amounts are compiled by the respective departments and are collected through the Treasury department Debtors/Creditors template as per circular number MF 10/2001. The normal deadline for the submission of these templates is 10 working days from the end of the month, however, exceptionally for this report the deadline for the provision of the accruals data for 2015Q2 was reduced to 8 working days.
2. Provisional data, yet to be validated.
3. The data submitted is only from Transport Malta (data from Ministry is still pending).
4. The latest data submitted is for 2015Q2.
5. The 2016Q2 balance excludes €8,236,396 which Local Government is showing as outstanding as at Q2 but refers to 2016Q3. This amount represents a Q3 tranche posted in Q2 and paid in 2016Q3.
6. The accruals data, collected by the Treasury Department, is used by the NSO to compile the General Government Sector deficit/surplus. For this purpose, NSO performs some adjustments to the original data so as to comply with the ESA2010 and Manual on Government Deficit and Debt rules.

Report on Revenue Arrears in terms of Article 29 of the Fiscal Responsibility Act

Table 9

	Net Collectable Arrears as on 31/12/14 €	As published in 2016 Financial Estimates €	Target			Arrears Collected		
			Quarter 1 €	Quarter 2 €	Total €	Quarter 1 €	Quarter 2 €	Total
Office of the Prime Minister	14,239	1,282	320	320	641	461	390	851
<i>Public Service Commission</i>	0	0	0	0	0	0	0	0
<i>Government Printing Press</i>	447,559	40,280	10,070	10,070	20,140	52,977	5,711	58,688
<i>Electoral Office</i>	0	0	0	0	0	0	0	0
<i>Information</i>	64,420	5,798	1,449	1,449	2,899	138	83	221
<i>Government Property Division</i>	<u>27,364,302</u>	<u>2,462,787</u>	<u>615,697</u>	<u>615,697</u>	<u>1,231,394</u>	<u>580,441</u>	<u>476,320</u>	<u>1,056,761</u>
	27,890,520	2,510,147	627,537	627,537	1,255,073	634,017	482,504	1,116,521
 Ministry for Foreign Affairs	 48,340	 4,351	 1,088	 1,088	 2,175	 100	 190	 290
 Ministry for Education and Employment								
<i>Ministry</i>	285,693	25,712	6,428	6,428	12,856	6,174	3,455	9,629
<i>Education Dept</i>	<u>250,866</u>	<u>22,578</u>	<u>5,644</u>	<u>5,644</u>	<u>11,289</u>	<u>12,744</u>	<u>53,996</u>	<u>66,740</u>
	536,559	48,290	12,073	12,073	24,145	18,918	57,451	76,369
 Ministry for Sustainable Development, the Environment and Climate Change	 1,541,126	 138,701	 34,675	 34,675	 69,351		 576,000	 576,000
 Ministry for Transport and Infrastructure	 1,267,497							
<i>Transport Malta</i>	<u>23,662,372</u>	<u>1,500,000</u>	<u>375,000</u>	<u>375,000</u>	<u>750,000</u>	<u>767,798</u>	<u>102,591</u>	<u>870,389</u>
	24,929,869	1,500,000	375,000	375,000	750,000	767,798	102,591	870,389
 Ministry for Gozo	 786,833	 70,815	 17,704	 17,704	 35,407	 3,405	 5,633	 9,038

Report on Revenue Arrears in terms of Article 29 of the Fiscal Responsibility Act

Table 9

	Net Collectable Arrears as on 31/12/14	As published in 2016 Financial Estimates	Quarter 1	Target Quarter 2	Total	Arrears Collected		
						Quarter 1	Quarter 2	Total
Ministry for Social Dialogue and Consumer Affairs	13,917	1,253	313	313	626	0	0	0
<i>Department of Industrial and Employment Relations</i>	110,776	9,970	2,492	2,492	4,985	1,560	945	2,505
	<u>124,693</u>	<u>11,222</u>	<u>2,806</u>	<u>2,806</u>	<u>5,611</u>	<u>1,560</u>	<u>945</u>	<u>2,505</u>
Ministry for Economy, Investment and Small Business	7,869,346							
<i>Commerce Department</i>	2,122,155	500,000	125,000	125,000	250,000	26,280	47,556	73,836
	<u>9,991,501</u>	<u>500,000</u>	<u>125,000</u>	<u>125,000</u>	<u>250,000</u>	<u>26,280</u>	<u>47,556</u>	<u>73,836</u>
Ministry for Finance	2,149,230	193,431	48,358	48,358	96,715	47	116	163
<i>Treasury</i>	0	0	0	0	0	0	0	0
<i>Central Salaries and Pensions</i>	29,160,291	2,624,426	656,107	656,107	1,312,213	103,782	0	103,782
<i>Inland Revenue Department</i>	246,461,820	22,181,564	5,545,391	5,545,391	11,090,782	16,081,341	12,537,985	28,619,326
<i>VAT Department</i>	70,087,548	6,307,879	1,576,970	1,576,970	3,153,940	1,013,614	953,911	1,967,525
<i>Contracts</i>	125,828	11,325	2,831	2,831	5,662	2,957	5,915	8,872
<i>Economic Policy Department</i>	9,564	861	215	215	430	0	0	0
<i>Customs Department</i>	37,137,206	3,342,349	835,587	835,587	1,671,174	24,754	16,071	40,825
	<u>385,131,487</u>	<u>34,661,834</u>	<u>8,665,458</u>	<u>8,665,458</u>	<u>17,330,917</u>	<u>17,226,495</u>	<u>13,513,998</u>	<u>30,740,493</u>
Ministry for Energy and Health								
<i>Energy</i>	0	0	0	0	0	0	0	0
Health								
<i>Health Department</i>	866,075	77,947	19,487	19,487	38,973	52,120	291,501	343,621
<i>Mater Dei Hospital</i>	4,201,410	378,127	94,532	94,532	189,063	269	0	269
<i>Primary Health Care</i>	10,345	931	233	233	466	116	0	116
<i>Gozo General Hospital</i>	80,505	7,245	1,811	1,811	3,623	175	23	198
<i>Sir Paul Boffa</i>	43,396	3,906	976	976	1,953	0	0	0
	<u>5,201,731</u>	<u>468,156</u>	<u>117,039</u>	<u>117,039</u>	<u>234,078</u>	<u>52,680</u>	<u>291,524</u>	<u>344,204</u>

Report on Revenue Arrears in terms of Article 29 of the Fiscal Responsibility Act

Table 9

	Net Collectable Arrears as on 31/12/14	As published in 2016 Financial Estimates	Target			Arrears Collected		
			Quarter 1	Quarter 2	Total	Quarter 1	Quarter 2	Total
Ministry for Family and Social Solidarity	0	0	0	0	0	0	0	0
<i>Social Policy</i>	0	0	0	0	0	0	0	0
<i>Social Security Benefits</i>	21,439,800	1,929,582	482,396	482,396	964,791	367,006	644,156	1,011,162
<i>Social Welfare Standards</i>	2,690	242	61	61	121	0	0	0
<i>Elderly and Community Care</i>	4,227,992	380,519	95,130	95,130	190,260	115,083	42,044	157,127
	<u>25,670,482</u>	<u>2,310,343</u>	<u>577,586</u>	<u>577,586</u>	<u>1,155,172</u>	<u>482,089</u>	<u>686,200</u>	<u>1,168,289</u>
Ministry for Justice, Culture and Local Government	0	0	0	0	0	0	0	0
<i>Office of the Attorney General</i>	26,305	2,367	592	592	1,184	2,359	1,176	3,535
<i>Notary to Government</i>	17,988	1,619	405	405	809	0	0	0
<i>Judicial</i>	10,905,731	981,516	245,379	245,379	490,758	207,204	233,153	440,357
<i>Local Government</i>	3,150	284	71	71	142	0	0	0
	<u>10,953,174</u>	<u>985,786</u>	<u>246,446</u>	<u>246,446</u>	<u>492,893</u>	<u>209,563</u>	<u>234,329</u>	<u>443,892</u>
Ministry for Tourism	1,665,960	149,936	37,484	37,484	74,968	107,637	78,950	186,587
<i>ITS</i>	270,366	24,333	6,083	6,083	12,166			0
	<u>1,936,326</u>	<u>174,269</u>	<u>43,567</u>	<u>43,567</u>	<u>87,135</u>	<u>107,637</u>	<u>78,950</u>	<u>186,587</u>

Report on Revenue Arrears in terms of Article 29 of the Fiscal Responsibility Act

Table 9

	Net Collectable Arrears as on 31/12/14	As published in 2016 Financial Estimates	Quarter 1	Target Quarter 2	Total	Arrears Collected		
						Quarter 1	Quarter 2	Total
Ministry for Home Affairs and National Security	0	0						
<i>Armed Forces of Malta</i>	582,235	52,401	13,100	13,100	26,201	25,323	19,270	44,593
<i>Police</i>	350,303	31,527	7,882	7,882	15,764	15,587	9,740	25,327
<i>Corradino Correctional Facility</i>	0	0	0	0	0	0	0	0
<i>Civil Protection Department</i>	9,748	877	219	219	439	727	250	977
<i>Probation and Parole</i>	0	0	0	0	0	0	0	0
	<u>942,286</u>	<u>84,806</u>	<u>21,201</u>	<u>21,201</u>	<u>42,403</u>	<u>41,637</u>	<u>29,260</u>	<u>70,897</u>
Total			<u>10,867,180</u>	<u>10,867,180</u>	<u>21,734,360</u>	<u>19,572,179</u>	<u>16,107,131</u>	<u>35,679,310</u>

General Government (S.13) Debt Developments and Prospects

Table 10

	ESA Code	2015 % GDP	2016 ^{af} % GDP	2016 ^{sf} % GDP
1. Gross Debt^(a)		63.8	65.2	62.4
2. Change in Gross Debt ratio		-3.2	-1.3	-1.4
Contributions to changes in Gross Debt				
3. Primary Balance		-1.1	-1.3	-1.6
4. Interest Expenditure	D.41	2.6	2.4	2.3
5. Stock-flow adjustment		0.8	1.4	1.9
<i>of which:</i>				
- Differences between cash and accruals relating to Enemalta transaction ^(b)		-0.4	0.0	0.0
p.m.: Implicit interest rate on debt ^(c) (%)		4.2	3.9	3.8
Other relevant variables				
Percentage of debt related to foreign loans ^(d) (%)		0.5	0.3	0.3
Average MGS maturity (years)		8.7	-	8.9
Real GDP growth (%)		6.4	3.6	4.2

Notes:

af - Autumn (Budget) Forecasts as a % of Autumn GDP forecasts

sf - Spring (Revised) Forecasts as a % of Spring GDP forecasts

^(a) As defined in Regulation (EC) No 479/2009.

^(b) The differences concerning interest expenditure, other expenditure and revenue could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

^(c) Proxied by the interest expenditure divided by the debt level of the previous year.

^(d) The foreign loans balance has 99% which is held in domestic currency, whereas 1% is denominated in foreign currency.

Statement of General Government Sector Debt

Table 11

	Jan-Dec 2015	Jan-Dec 2016 <i>Budget</i>	Jan-Jun 2015	Jan-Jun 2016	Jan-Dec 2016
	<i>Actual</i> € 000	<i>Estimate</i> € 000	<i>Actual</i> € 000	<i>Actual</i> € 000	<i>Revised</i> € 000
General Government Debt					
Malta Government Stocks	4,953,923	5,094,497	4,998,408	5,160,081	5,134,853
Treasury Bills	222,050	387,424	230,550	313,250	348,398
Domestic Loans with Commercial Banks	56,379	0	56,379	0	0
Foreign Loans	29,770	19,350	32,597	22,073	19,368
EBU's and Local Councils	119,497	110,968	110,574	121,024	121,024
Currency	68,510	75,346	62,874	70,187	77,464
EFSF (Debt Re-Routing)	171,189	171,189	171,189	171,189	171,189
Total	5,621,318	5,858,774	5,662,571	5,857,804	5,872,296
Public Debt Servicing					
Local Loans					
Interest (Treasury Bills)	108	563	90	0	75
Interest (MGS)	228,159	223,908	114,392	110,464	222,897
Interest (Domestic Loans with Commercial Banks)	2,246	1,089	1,114	1,089	1,089
<i>(A) Total Interest - Local Loans</i>	230,513	225,560	115,596	111,553	224,061
Contributions to Sinking Funds	3,261	3,261	1,631	1,631	3,261
Contribution to Special MGS Sinking Fund	25,000	50,000	5,000	5,000	50,000
Direct Loan Repayment	349,377	474,489	69,883	137,172	485,399
<i>(B) Total Contributions to Sinking Funds and Direct Loan repayments</i>	377,638	527,750	76,514	143,803	538,660
Total Servicing of Local Loans (A + B)	608,151	753,311	192,110	255,356	762,721
Foreign Loans					
Interest	1,817	1,329	1,418	1,063	1,329
Contributions to Sinking Funds	6,465	6,465	3,233	3,233	6,465
Total Servicing of Foreign Loans	8,282	7,794	4,651	4,296	7,794

Malta Government Stocks Issuance Programme for 2016

	€ 000s
Total amount of Malta Government Stocks to be issued during 2016 shall not exceed	600,000
Total amount of Malta Government Stocks issued to date	279,733
The Total amount of Malta Government Stocks to be issued in H2 of 2016 shall not exceed	<u>320,267</u>