MINISTRY FOR FINANCE

MALTA:
HALF-YEARLY REPORT 2017

Ministry for Finance
July 2017

Contents

Executive Summary

In 2017, Malta is expected to remain amongst the top performers in the EU. Indeed, in the first quarter of this year, the economy recorded a growth rate of 4.2 per cent, compared to the EU average of 2.4 per cent. Growth was mainly driven by domestic demand which contributed to real growth by 2.1 percentage points. This was sustained by, strong labour market conditions as employment grew by 2.8 per cent, buoyant private investment and low inflation at 1.0 per cent in June of this year. The external side of the economy also contributed positively to economic growth. As a result, nominal growth is expected to reach 6.3 per cent in 2017, compared to the autumn forecast of 5.8 per cent.

Based on the positive macroeconomic performance for the first half of this year, the budgetary position projected for 2017 shows a surplus of 0.8 per cent of GDP and a debt ratio of 55.6 per cent of GDP. The indicators provided suggest that the budgetary position in 2017 is expected to continue to exceed the Medium Term Budgetary Objective of a balanced budget in structural terms, which target is necessary to maintain in order to ensure long-term fiscal sustainability.

1. Introduction

This Half-Yearly Report on the economic and budgetary situation is in line with Article 39(7) of the Fiscal Responsibility Act, 2014 and is the third report since the enactment of the Act.

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 year.

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.

A statistical annex provides further details on the economic and budgetary situation by the end of June 2017.

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 2016, the Maltese economy grew by 5.0 per cent. Growth was primarily driven by strong net exports on the back of a modest contribution by domestic demand sustained by a job rich environment. In the coming years, Malta is expected to remain amongst the top performers in the EU in terms of economic growth. Latest national accounts data released by NSO shows that in the first quarter of this year, the economy recorded a growth rate of 4.2 per cent compared to the EU average of 2.4 per cent, primarily driven by domestic demand on the back of strong labour market conditions, higher incomes, subdued inflation and private investment. The external side of the economy also contributed positively to economic growth.

During the first quarter of 2017, total gross value added increased by €116.2 million, or 5.6 per cent. Growth was underpinned by an affirmative performance in all sectors of the economy, particularly the financial and insurance activities sector (9.6 per cent), the arts, entertainment and recreation, repair of household goods and other services sector (9.1 per cent) and the professional, scientific and technical activities; administrative and support service activities sector (8.5 per cent). All sectors reported positive growth rates, with the growth in the services sector outpacing the growth in the primary and secondary sectors of the economy.

In nominal terms, total incomes grew by 6.2 per cent driven by a positive performance in both gross operating surplus and compensation of employees, which grew by 6.6 per cent (equivalent to €70.1 million) and

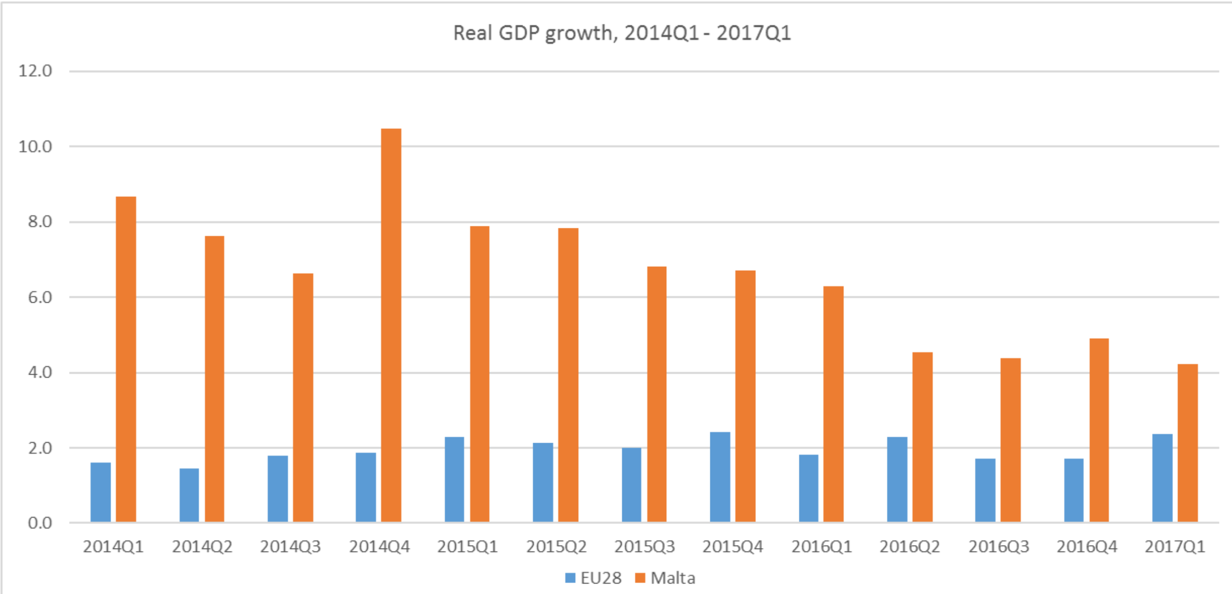

FIGURE 1

4.8 per cent (equivalent to €49.0 million), respectively. Net taxes increased by 9.3 per cent, or €25.5 million.

2.1.1 Labour Market

The labour market maintained its positive performance, underpinned by a low unemployment rate and continued increases in the participation rates which translated into higher employment levels. Indeed, employment growth remained robust at 3.3 per cent coupled with an unemployment rate of 4.7 per cent in 2016, the third lowest unemployment rate out of the Member States of the European Union.

The strong pace of economic activity and demand for labour was further supported by several structural reforms implemented in recent years, including free child care services, the earlier opening of schools, the provision of after school child care services, the maternity leave reform, the promotion of flexible working arrangements, in-work benefits and tapering of benefits, lower taxes on labour and tax incentives. These structural reforms also led to improvements in the female participation rate, which increased by 4.5 percentage points in 2016 successfully reducing the discrepancy between genders in terms of employment.

During the first quarter of 2017, Malta maintained its strong labour market performance with employment increasing by 2.8 per cent over the corresponding period of last year and an unemployment rate of 4.2 per cent. As a result, the employment rate increased further by 1.5 percentage points to 65.8 per cent, moving closer towards the EU2020 target employment rate of 70 per cent.

2.1.2 Prices

Annual HICP inflation in Malta decelerated to 1.1 per cent in May of this year from 1.4 per cent in January. For the first time in over two years, HICP inflation in Malta stands below that registered in the Euro Area and in the European Union as prices increased at 1.4 per cent and 1.6 per cent in May of this year, respectively.

During the first five months of this year, HICP inflation fluctuated within the narrow range of 1.4 per cent and 1.1 per cent primarily attributed to declining trends in the non-energy industrial goods and the unprocessed

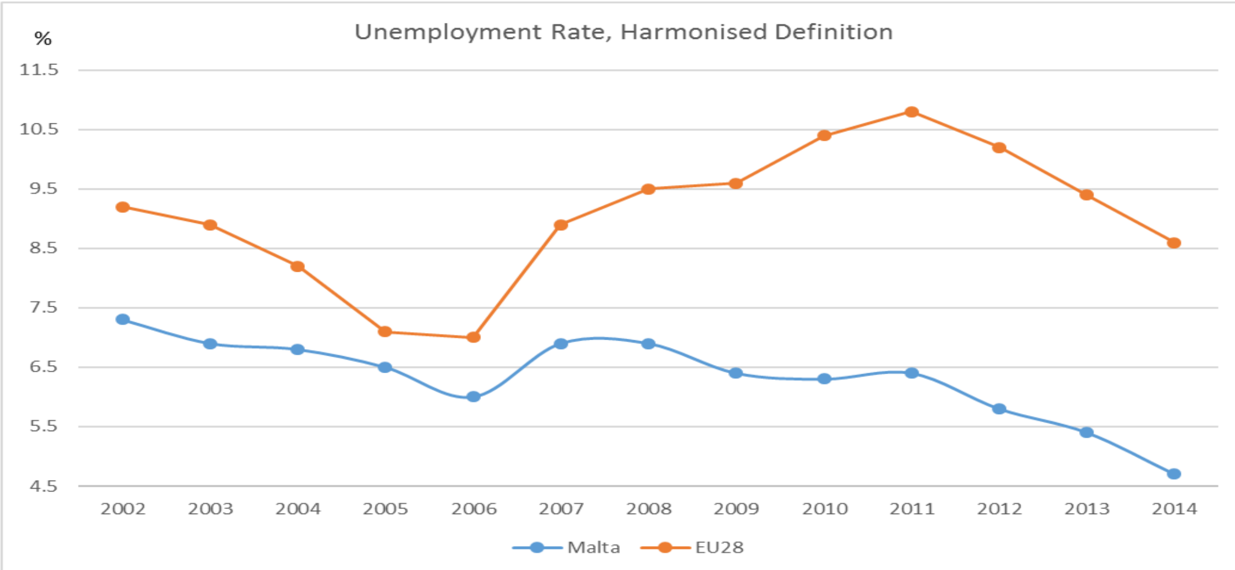

FIGURE 2

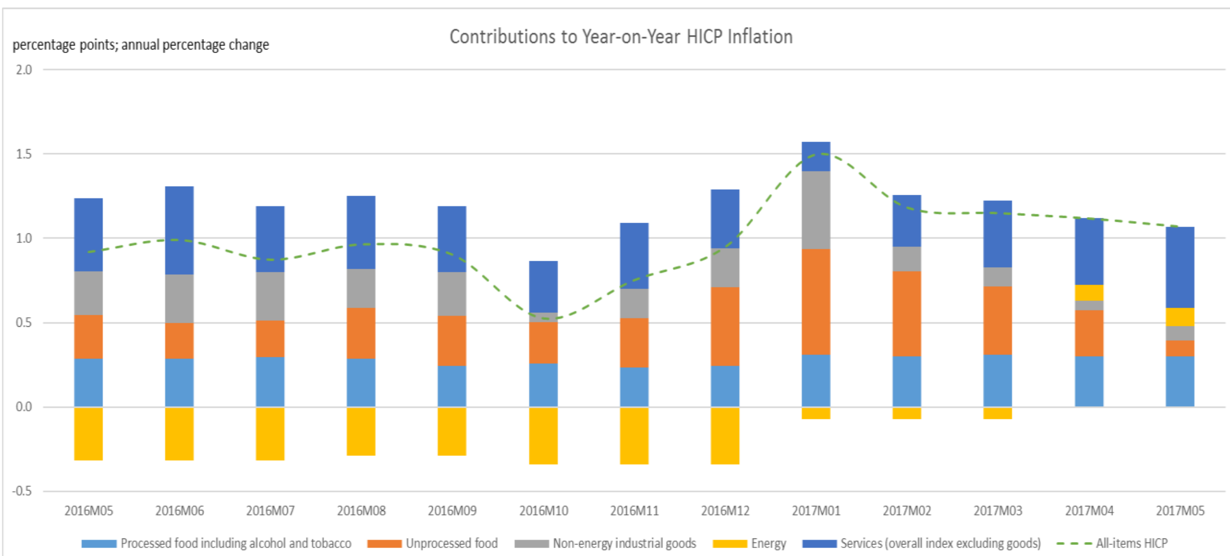

FIGURE 3

food components. The annual rate of growth of services prices increased steadily from a rate of 0.4 per cent in January to 1.1 per cent in May. Processed food including alcohol and tobacco remained relatively stable over the period under review with an average annual rate of 2.3 per cent. Core HICP inflation remained relatively stable at 1.0 per cent over the first five months of this year, 0.2 percentage points lower than the overall rate.

2.2 Comparison of macroeconomic projections

This section provides a comparative evaluation of the latest macroeconomic forecasts for 2017 published in the 2017-2020 Update of the Stability Programme document (hereinafter referred to as the Spring 2017 forecast) against the forecasts for the same year that underpinned the

Budget 2017 projections in October 2016 (hereinafter referred to as the Autumn 2016 forecasts). This assessment aims to explain the main forecast revisions that were undertaken since October 2016. Data referred to in this section is shown in Table 1.

2.2.1 Statistical Revisions influencing the change in Macroeconomic Forecasts

The Budget projections of October 2016 carried a cut-off date for the inclusion of statistics and other information of 28th September 2016. As a result, forecasts were based on actual data for the first half of 2016 with 2016 being a forecast. In contrast, the cut-off date for the revised Spring forecasts of April 2017 was 30th March 2017 thus incorporating data for the whole of 2016 and the forecast period starting from the year 2017.

The headline real and nominal GDP growth rates have changed favourably from the Autumn 2016 forecasting session to the Spring 2017 forecasting session. In Autumn 2016, nominal and real GDP projections for 2017 were 5.8 per cent and 3.5 per cent, respectively, while in Spring 2017, nominal GDP growth was 6.3 per cent and real GDP growth was 4.3 per cent.

Ex ante, most of the growth discrepancy is related to substantial upward revisions in historical national accounts data, particularly in the arts, entertainment and recreation sector which includes gaming but also in the wholesale and retail trade sector, the professional, scientific and technical activities sector and information and communication sector. These upward revisions came about during the last two quarters of 2016 and the changes covered the historical time series from 2013 to 2015. In fact, while in Autumn 2016, data for the first half of the year was showing the domestic side of the economy to be the main driver of growth, according to the latest data, the growth in 2016 turned out to be primarily driven by the external side of the economy due to higher net exports. The upward revision in the output and operating surpluses of the arts, entertainment and recreation sector were also notable due to their influence on the fiscal projections.

2.2.2 Other developments influencing the change in Macroeconomic Forecasts

While in Autumn 2016, the external side of the economy was expected to contribute negatively to economic growth, latest projections now show that the external side of the economy is expected to contribute positively to economic growth. However, in both rounds of forecast, growth was expected to be primarily domestically-led. Specifically, the revised contribution from domestic demand has decreased by 1.7 percentage points over the two sets of forecast rounds while that for the external side of the economy has gone up from -2.0 percentage points in Autumn 2016 to 0.6 percentage points in Spring 2017, a revision of 2.6 percentage points.

Part of the discrepancy in economic growth forecasts carried out in Autumn 2016 and Spring 2017 could be attributed to changes in external assumptions. Whereas in Autumn 2016, growth in Malta's main trading partners was projected to be 1.3 per cent in 2017, positive developments in the EU throughout the start of 2017 resulted in an upward revision of 0.4 percentage points in projected growth of Malta's main trading partners in Spring 2017. Moreover, forecasts for Spring 2017 assume a weaker pound in view of the political uncertainty in the UK.

This change in the composition of growth is primarily emanating from an upward revision in net exports and an upward revision in private consumption expenditure. Exports were revised upwards reflecting a stronger than previously anticipated pick-up in external demand conditions driven largely by emerging markets and advanced economies and better than expected performance in the

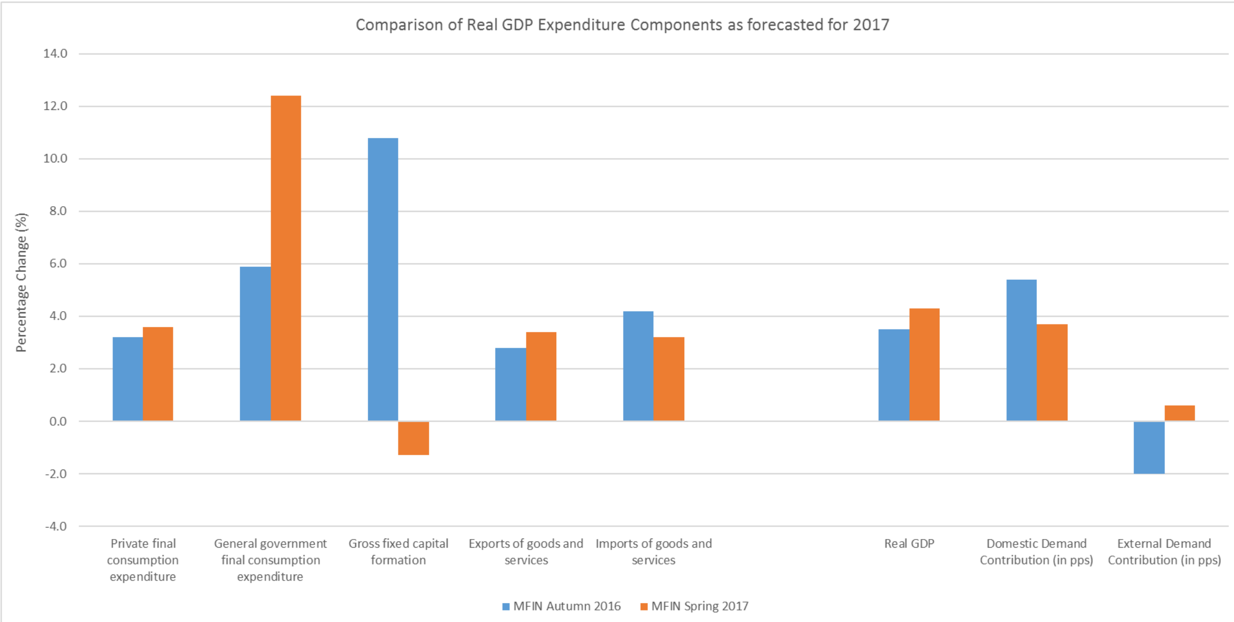

FIGURE 4

arts, entertainment and recreation sector, as well as stronger market output related to the Individual Investor Programme (IIP). Imports were revised downwards due to lower import-intensive domestic demand pertaining to downward revisions in gross fixed capital formation. On the other hand, stronger labour market developments including increased compensation of employees have contributed towards an upward revision in private final consumption expenditure.

Chart 4 provides a graphical comparison of the differences in the projected components of real GDP for 2017 as estimated by MFIN in the Budget projections and the revised Spring 2017 projections.

2.2.3 Private Consumption Expenditure

The revised forecasts presented by MFIN in Spring 2017 projected a stronger rate of growth in private consumption expenditure (+0.4 percentage points), when compared to the Autumn 2016 forecasts. The revision was primarily underpinned by revised outlook for disposable income which is expecting to outperform Autumn's expectations due to heightened expectations for labour market, and wage developments.

2.2.4 Public Consumption Expenditure

Growth in government final consumption expenditure for 2017 has been revised upwards by 6.5 percentage points, to reach 12.4 per cent in the Spring forecast. The increase is mainly due to an upward revision in intermediate consumption and compensation of employees. Also, revenue from the Individual Investor Programme was higher than what was initially expected for 2016, raising the growth in market output growth in which is deducted in final government consumption expenditure for 2016. This curtailed government expenditure in 2016 instigating a base effect in 2017 which resulted in a higher growth forecast.

2.2.5 Gross Fixed Capital Formation

The outlook for GFCF in 2017 has been revised from 10.8 per cent in October 2016 to -1.3 per cent in April 2017. This revision is due to a larger base effect emanating from higher than expected private investment for 2016 causing the growth rate for 2017 to be revised downwards. Hence, the downward revision is not attributed to weaker economic sentiment or to the cancellation of investment projects. Nevertheless, the relatively elevated 23.5 per cent investment to GDP ratio recorded at the end of 2016 is expected to stand. This is a relatively high investment compared to historical trends, which averaged at 19.9 per cent of GDP over the past decade, and also in comparison the investment activity in the rest of the EU, which stood at 19.7 per cent of GDP at the end of 2016.

2.2.6 External Balance of Goods and Services

In the Spring forecasts, the decrease in import-intensive domestic demand pertaining to gross fixed capital formation in 2017 was reflected in a decrease in imports. In contrast, exports were revised upwards reflecting a stronger than previously anticipated pick-up in external demand conditions driven largely by emerging markets and advanced economies along with stronger market output related to the IIP. As a result, the contribution of net exports to economic growth was higher than anticipated in the Autumn forecasts.

Soft indicators such as global manufacturing and composite PMIs, business sentiment and global activity indicators pertaining to trade and industrial production strengthened markedly in recent months with such positive developments being synchronized in both emerging and advanced economies. When compared to the Autumn vintage, real exports were revised upwards, while real imports were revised downwards by 1.0 percentage point.

2.2.7 Inflation and Labour Market Developments

The latest Spring forecasts are expecting inflationary pressures to remain in line with the annual inflation rate forecasted in Autumn 2016 and to stand at 1.5 per cent in 2017. Furthermore, labour market projections have been revised upwards while the unemployment rate is expected to reach a rate lower than that forecasted in Autumn 2016, in line with more recent trends.

2.2.8 Potential Output and the Output Gap

Malta's potential output growth has been revised upwards by 0.7 percentage points in MFIN's Spring forecasts, to reach 5.3 per cent in 2017. This revision is mainly due to a higher total factor productivity contribution along with a higher labour contribution consistent with a stronger than anticipated labour market. The estimate of the output gap was also revised upwards to 1.0 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

Between the Autumn of 2016 and Spring of 2017, fiscal projections were updated to take into consideration a considerably better fiscal outcome in 2016 than planned, more recent economic data and revised external assumptions. In particular, the revised macroeconomic forecasts include private final consumption expenditure, tourist expenditure, employment, wages and profits.

For 2017, nominal GDP growth forecasts were revised upwards from 5.8 per cent to 6.3 per cent, supporting a stronger estimated growth in wage income and a stronger than anticipated labour market conditions. In addition, it is worth noting that upward revisions were effected to historical national accounts data to correct for an underestimation of gross operating surplus. Due to the lagged effects of corporate profits on income tax revenue, past revisions in national accounts data exerted a positive effect on corporate tax revenue projections for 2017. In addition, revenue from direct taxation was also revised upwards to take into account considerably higher tax revenue recorded in 2016 in excess of what was anticipated in the Autumn 2016 forecast. As a result of these developments, income tax was revised upwards by €116.7 million and social security contributions were revised upwards by €21 million.

The overall growth forecast in the indirect tax base for the Spring forecasts were also revised upwards, mainly to reflect an upward revision in the estimated growth of household consumption and tourism earnings, higher imports, as well as a more buoyant property market than anticipated in Autumn 2016. Revenue from licences, taxes and fines, particularly duty on documents, were revised upwards by €8 million reflecting the strengthening of the property market. Meanwhile, less significant revisions were effected to revenue from customs and excise duties, which were revised downwards by €3 million.

Revisions in the macroeconomic forecasts are not assumed to have a significant impact on expenditure projections. However, lower inflationary projections and consequently a lower COLA assumption can have a significant effect on social benefits. Nevertheless, since COLA is estimated on the basis of the inflation rate of the previous year, both set of projections for 2017 were based on the same COLA of €1.75. Hence the revisions in expenditure projections were unrelated to changes in macroeconomic forecasts.

The first quarter of 2017 saw the Maltese economy growing at 4.2 per cent in real terms and 6.2 per cent in nominal terms. These are broadly in line with the latest 4.3 per cent real growth and 6.3 per cent nominal growth forecasts produced in the Spring forecasting session. In terms of macroeconomic indicators, figures for the first quarter of 2017 suggest that consumption growth, both private and public, is lower than forecasted. This is offset by higher than anticipated investment growth. On the external side, both exports and imports experienced declines, contrasting the positive growth rates forecasted in Spring. Despite these changes in the composition of growth, the revenue performance to date does not appear to warrant any further changes in tax revenue projections.

4. Corrective Measures

Against the background of better than expected macroeconomic condition and fiscal outcomes in 2016, the Government is now targeting a surplus in the Consolidated Fund and also in ESA terms. The surplus in the Consolidated Fund has been revised to €3.0 million compared to the approved estimate of a deficit of €128.3 million, while the general Government budget surplus in ESA terms has also been revised to €89.0 million. The general Government budget surplus is thus expected to reach 0.8 per cent of GDP compared to the original target deficit of 0.5 per cent of GDP published in the Budget Estimates.

Table 2 shows the revenue and expenditure performance for the first six months of 2017 as compared to the same period in 2016, incorporating also the respective revised positions for 2017 as compared to the original budget which was approved in December 2016. The revised position is based on the outturn for 2016, 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 revisions undertaken for the Medium Term Fiscal Strategy for Malta: Update of Stability Programme 2017-2020 that was published in April this year.

4.1 Revenue

An increase in revenue equivalent to 1.3 per cent of GDP is expected to ensue by the end of 2017, when compared to the original budget. By way of tax revenue, the originally approved amounts under Income Tax, Social

Security Contributions, as well as Licences, Taxes & Fines have been revised upwards by a total €146.6 million, based on revenue performance to-date and in reflection of expected economic activity up to the end of the year. Meanwhile customs and excise duties were revised marginally downwards by €3.0 million. The economic conditions justifying these revisions have been considered in detail in Chapter 3 of this Report.

Under the Non-Tax Revenue category, revenue from the Individual Investor Programme was revised upwards by €15.0 million to reflect the better than expected performance in the first six months of the year.

4.2 Recurrent Expenditure

When compared to the original budget, a net increase in recurrent expenditure equivalent to 0.5 per cent of GDP is expected to ensue by the end of 2017.

Disaggregated according to the respective recurrent expenditure categories, the factors contributing to this variance amounted to +€3.7 million under Personal Emoluments, +€6.5 million under Operational and Maintenance and +€40.7 million under Programmes and Initiatives.

The main driving factors for the upward revision under the Personal Emoluments category stems from higher overtime which is expected to approximate 2016 levels as well as allowances. Higher expenditure under the Operational and Maintenance category relate to higher expenditure on contractual services particularly in the health and elderly sectors. The revised estimates for Programmes and Initiatives include higher provision for the state contribution, a revision in concession agreement estimated payments for the year, expenses on the general elections, social security payments, pharmaceutical supplies.

The above mentioned adjustments are in addition to transfers of funds which may need to be effected within various recurrent expenditure votes, by means of which other shortfalls are covered by compensatory savings, both for purposes of the Fiscal Responsibility Act as well as by way of corrective action aimed at conservation of the fiscal balance.

When compared to the approved budget, interest payments on public debt are expected to be €3.3 million lower than originally estimated.

4.3 Capital Expenditure

A net decrease in capital expenditure of €42 million, equivalent to 0.4 per cent of GDP is expected to ensue by the end of 2017, when compared to the original budget.

This variance includes lower expenditure to cover projects which were funded out of the EU 2014 - 2020 funding programme reflecting expected absorption up to year-end, but also include elements that are not considered as being eligible for EU funding and need to be met out of national funds.

4.4 General Government Adjustments

The main revisions in the general Government forecasts include an adjustment of €35.0 million in anticipation of the Eurostat decision on the statistical recording of financial protection schemes (depositor, investor and insurance) and any claims thereof , as well as an upward adjustment of €35.0 million to reflect higher revenues expected to be received through the Individual Investor Programme by year-end, based on updated forecasts.

5. General Government Revenue and Expenditure Performance

This section provides an analysis on revenue and expenditure performance for the first six months of 2017 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 2017, 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 Chapter 4 of this Report. An explanation of how accrual data is derived from the Consolidated Fund data is provided in Table 6a.

As required by the Fiscal Responsibility Act, the assessment of fiscal performance against budgetary targets and the fiscal rules is based on ESA2010 data, which is adjusted for accruals. General Government accrual data for the second quarter of the year is not fully available by the deadline for submission of this Report to the House of Representatives. As a consequence, the reported budgetary performance of general Government for the first half of 2017 should be treated as provisional. Moreover, the analysis provides a comparison against the projections underpinning the 2017 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.

Developments during the first half of 2017 suggest that revenue performance is stronger than anticipated in the 2017 Budget. Indeed, during January to June 2017, general Government revenue is estimated to have increased by €232.1 million or 13.2 per cent over the comparable period in 2016. This increase is mainly on account of higher non-tax revenue, as the 'other' category of revenue is estimated to have increased by €128.1 million, reflecting more buoyant proceeds from the IIP. This compares favourably to a decline of €8.4 million projected in the 2017 Budget for the year.

Revenue from current taxes on income and wealth is estimated to have increased by €40.8 million, reflecting the sustained positive performance of the domestic economy, including the property market. The implied growth rate in current taxes on income and wealth of 6.3 per cent recorded during the first half of the year is comparatively more buoyant than the growth rate of 5.9 per cent projected in Autumn 2016 for the entire year. Revenue from direct taxation was hence revised upwards in Spring 2017 to take into consideration considerably higher tax revenue recorded in 2016 in excess of what was anticipated in the 2017 Budget forecast, as well as a significant upward revision in the direct tax base. In the first half of 2017, 46.2 per cent of the projected revenue for the whole year is estimated whereas in the comparable period last year 47.2 per cent of the yearly proceeds was collected. Nevertheless, it is notable that the marginally lower ratio can be explained by timing issues in the processing of payments due and internet banking transactions and hence a revision in the year end projection is not deemed necessary.

Revenue from taxes on production and imports is estimated to have recorded an increase of €38.1 million or 6.6 per cent during the first six months of 2017. In the 2017 Budget, the growth in this component of revenue was projected at 4.9 per cent, thus indicating a stronger than anticipated performance in the first six months of 2017. Nevertheless, in view of possible developments in individual components of customs and excise duties classified under this item of revenue, revenue from taxes on production and imports was revised marginally downwards compared to the Autumn 2016 projections, such that a growth of 4.4 per cent is now estimated for the entire year. In the first half of 2017, 46.5 per cent of the target for the year had been collected compared to a ratio of 45.5 per cent a year earlier suggesting that the budgetary targets are prudent for this item of revenue.

During the first two quarters of 2017, revenue from social security contributions is estimated to have increased by 6.4 per cent or

€19.8 million, compared to a projected increase of 4.7 per cent for the whole year. The stronger anticipated growth in employment and wages when compared to the Autumn forecasts, as well as a better than estimated outturn in 2016, provided sufficient basis for the revised projections for 2017 for this revenue component. Indeed, revenue projections for social security contributions have been revised upwards, and a growth rate of 6.4 per cent is now projected for the entire year. In the first 6 months, around 48 per cent of the (revised) estimated social contributions for the current year have been collected, in line with developments during the same period in 2016.

During the first six months of 2017, general Government expenditure is estimated to have increased by €123.7 million. These developments primarily reflect higher expenditure on intermediate consumption, the ‘other’ category of expenditure, compensation of employees and expenditure on social payments, in part offset by lower capital transfers. In the 2017 Budget projections, general Government expenditure was forecast to register a more subdued growth rate of 4.0 per cent, although this has subsequently been revised upwards to 5.8 per cent.

Expenditure on intermediate consumption increased by €35.8 million during the first half of 2017, when compared to the same period in 2016. It is worth noting that in 2017, expenditure on intermediate consumption includes expenditure related to Malta’s Presidency of the EU Council. Moreover, during the first two quarters of 2017, this category of expenditure involved added outlays due to Health Concession Agreements. Projections for intermediate consumption have been revised upwards compared to the original budgetary estimates, reflecting developments during the first half of the year. Indeed, intermediate consumption is now estimated to increase by 12.3 per cent in 2017 in line with an increase of 12.4 per cent reported during the first half of the year.

During the first half of this year, the ‘other’ category of expenditure is estimated to have increased by €34.0 million. In the 2017 Budget, it was estimated that this component of expenditure would increase by €11.7 million in 2017. Developments in this component of expenditure primarily include higher EU Own Resources.

Expenditure on compensation of employees is estimated to have increased by 5.7 per cent during the first half of 2017, marginally above the projected increase of 5.1 per cent estimated in Autumn 2016 but significantly below the revised projected increase of 7.0 per cent which was carried out last spring.. The performance in the first six months suggest that the revised targets are attainable if current trends persist in the coming months.

Meanwhile, a more buoyant increase in social payments are estimated for the first half of 2017 relative to the original budgetary targets. Indeed, this component of expenditure is estimated to have increased by 5.9 per cent during the first half of 2017, compared to a growth rate of 3.0 per cent projected in the 2017 Budget and a growth of 3.2 per cent in the revised projections published last Spring. Developments in social payments recorded during the first six months of 2017 however also reflect seasonal conditions in the timing of payments due, such that a further revision does not appear warranted at this stage.

During the first six months of 2017, capital transfers are estimated to have declined by €17.8 million over the same period in 2016, primarily reflecting the non-recurrence of the capital injection into Air Malta, which in 2016 took place in the first quarter of the year.

6. Revised General Government Budgetary Targets

During the current fiscal year, the general Government balance is expected to remain in surplus at €89.0 million or 0.8 per cent of GDP.

In 2017, revenue is expected to increase by €207.6 million or by 5.4 per cent over the previous year, and amount to €4,078.9 million. The projections for general Government revenue have been revised upwards by €168.8 million. The main contributors towards this upward revision are current taxes on income and wealth, 'other' revenue, and social contributions, which in aggregate account for €166.9 million of the upward revision. In the case of current taxes on income and wealth and social contributions, the revision was carried out in Spring 2017.

As already outlined in other Chapters of this Report, the revision in direct taxation reflects a considerably higher tax revenue (particularly in the case of current taxes on income and wealth) recorded in 2016 in excess of what was anticipated in the 2017 Budget forecast, as well as a significant upward revision in the direct tax base. Alongside a stronger than anticipated growth in employment and wages when compared to the Autumn forecasts, these developments substantiate the upward revision in revenue from current taxes on income and wealth by €114.4 million and in social security contributions by €21.4 million. Around two-thirds of the upward revision in current taxes on income and wealth and almost half of the upward adjustment in social contributions is explained by the more favourable fiscal outcome in 2016. Indeed, notwithstanding the upward revision in revenue projections for 2017, an element of prudence remains prevalent, as evidenced by the low assumed elasticity to forecast macroeconomic developments when compared to historical performance .

Meanwhile, the upward revision in 'other' revenue mainly reflects developments during the first six months in proceeds from the International Investor Programme (IIP).

General Government expenditure is expected to increase by €219.7 million or 5.8 per cent over the previous year, and to amount to €3,989.9 million. The projections for general Government expenditure have been revised upwards by €29.7 million as higher estimated current expenditure is in part offset by a downward revision in capital outlays.

Intermediate consumption is expected to increase by €78.1 million to €714.0 million in 2017. This item of expenditure was revised upwards by €30.1 million when compared to the 2017 Budget forecast. The upward revision mainly reflects higher than anticipated intermediate consumption by EBUs amounting to €14.4 million. In addition, the upward adjustment in this component of expenditure also reflects higher than anticipated expenditure towards programmes and initiatives by the health sector, including the Health Concession Agreements and expenditure on medicines and surgical materials.

Expenditure towards compensation of employees is expected to increase by €82.7 million to €1,268.4 million in 2017., An upward revision of €27.6 million in the projections for 2017 was effected. This adjustment reflects a higher than originally projected expenditure on overtime and allowances and higher wages and salaries by EBUs amounting to €14.7 million, as well as a marginally higher outturn in 2016 than estimated in Autumn 2016.

Expenditure on social payments is expected to increase by €34.1 million in 2017, or 3.2 per cent, to €1,112.9 million. In view of higher than estimated expenditure in terms of the Pensions Ordinance and retirement pensions, the 2017 Budget projections were revised upwards by €16.8 million.

Meanwhile, the outlined upward revisions in current expenditure are more than offset by expected developments in gross fixed capital formation. Indeed, in view of developments in capital spending (financed from both national and foreign funds) during the first half of this year, expenditure on gross fixed capital formation is expected to increase from €251.9 million in 2016 to €273.4 million in 2017.

'Other' expenditure was also revised downwards, mainly underpinned by lower EU Own Resources.

It is also worth noting that, in anticipation of a Eurostat decision on the statistical recording of financial protection schemes (depositor, investor and insurance) and any claims thereof, it was decided to incorporate the statistical impact within general Government in line with the practice adopted already by most Member States (except three). This transaction is recorded as an upward revision in capital transfers amounting to €35 million.

7. Collection of Revenue Arrears

In terms of Article 29(a)(ii) of the Fiscal Responsibility Act, the presentation of the annual budget is 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 2017.

The projections incorporated into this statement in most cases refer to ten (10) per cent of the net collectable stock position obtaining for all line Ministries on 31 December 2015, as reported to the Accountant General in 2016.

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 €22 million as appearing in Appendix I of the 2016 Financial Estimates for the first half of 2017, has in fact been exceeded, reaching €35.2 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

8.1 Debt Developments

Debt-to-GDP ratio in 2016 continued on a sustained downwards trajectory, declining by 2.4 percentage points to reach 58.3 per cent of GDP at the end of 2016. These positive developments are primarily supported by a strong and sustainable rate of economic growth and growing primary surpluses. General Government debt developments and prospects are illustrated in Table 10.

The 2017 estimated General Government debt-to-GDP ratio as presented in the 2017 Budget has been revised downwards by 6.3 percentage points, to 55.6 per cent of GDP, during the first six months of 2017. This mainly reflects the better than expected fiscal outcomes, a more buoyant macroeconomic environment, supported by sustained economic growth, which has continued throughout the first six months of 2017 and which is expected to continue throughout 2017.

The contractionary impact of the primary balance on the debt-to-GDP ratio for 2017, strengthened from 1.6 percentage points in the 2017 estimates to 2.8 percentage points in the 2017 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 2017 Spring estimates. The expansionary impact of the stock-flow adjustment on the debt-to-GDP ratio has remained constant at 1.6 percent in 2017 revised projections.

8.2 Components of General Government Public Debt

The main objective of Government's debt policy 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 in the annex of the report illustrates the Statement of General Government sector debt. Actual General Government public debt as at 30th June 2017 stood at €5,865.8 million, €8.3 million higher when compared with end June 2016 (see Table 11). The outstanding MGS increased by €135.7 million whilst the T-Bills outstanding balance decreased by €126.85 million marking a shift away from using short-term debt instruments to finance government borrowing needs. Moreover, there was an increase in outstanding levels of debt held by EBU's/Local Councils of €4.7 million as well as higher level of Euro coins issued in the name of the Treasury, which went up by €5.2 million when compared to the coin stock as at the end of June 2016. The foreign loans balance (99% denominated in euro) as at 30th June 2017 stood at €11.66 million down by €10.4 million over the corresponding period.

The outstanding level of General Government debt as at the end of 2017 has been revised downwards by €244.9 million, when compared to the Budget estimates for 2017, on account of revisions carried out in view of (i) the surplus reported in the consolidated fund in 2016, and (2) an estimated consolidated fund surplus for 2017. This will be reflected in lower estimated outstanding levels of MGS and T-Bills in the debt portfolio as at the end of December 2017 when compared to the original estimates published in October 2016.The EBU's and Local Councils outstanding debt has been revised upwards by €4.9million whilst the Euro coins issued in the name of the Treasury was revised downwards by €5.9 million.

8.3 Main developments in the Euro zone sovereign bond market

Having largely digested the outcome of the US presidential election, the year 2017 started with investors turning their attention back to political risks in Europe. Delicate elections were due to be held in number of core euro-zone countries, Netherlands (March), France (April, May, June) and Germany in September. The year 2017 is also the year when official 'Brexit' negotiations between the U.K. and the E.U. were due to start with the triggering of Article 50 in March. Concurrently, Italy was also grappling with problems in its banking sector.

Meantime, the euro zone economy continued to grow at a moderate pace, whilst core inflation – the prime indicator of monetary policy expectations - remained subdued, hovering around 1%. However, headline rates were expected to come close to target (near but below 2%) during spring due to baseline effects from recovering fuel prices and underpinning rumours of impending 'normalisation' of ECB policy in the medium term. For the period under review (H1 -2017) the ten-year benchmark bond yields of core euro area member states increased amid volatile episodes caused by a number of factors.

Ten-Year benchmark yields initially rose after the March Governing Council Meeting, but declined towards mid-April, partly on account of market perceptions of increased political uncertainty in the run-up to the first round of the French presidential election. In between the afore-mentioned period, yields rose temporarily creating an intra-period volatility on the back of some relieve brought about by the result of the Dutch election held in mid-March which gave a pro-EU party a relative majority.

The flight to safety towards German government bonds towards mid-April led 10-year Bund prices to rally and yields to reach 0.154 per cent on 18th April, whilst comparable French government bond yields peaked at 1.114 per cent on 5th March. All this was happening simultaneously with the ECB's Asset purchase programme, which now could also buy securities yielding below its deposit rate of -0.40 per cent if deemed necessary, to maintain very accommodative monetary conditions, as core inflation figures remained stubbornly well below target. However, the ECB confirmed that asset purchases would be tapered from €80bn to €60bn per month from April.

The result of the first round of voting in France on 23rd April brought considerable relief, with 10-year Bund yields rising to 0.332 per cent on 24th April from 0.253 per cent on the eve of the election, amid a decline in political uncertainty and positive data releases for the euro area economy.

At its 8th June meeting the ECB changed its forward guidance to make it slightly less expansionary and revised positively its risk assessment for the euro zone economy. Nevertheless, the Governing Council concluded that a very substantial degree of monetary accommodation was still needed in the medium term to support headline inflation towards the objective levels below but close to 2%. The announcement did not cause large movements on European bond markets as it was expected and therefore already priced in.

However, a speech by ECB President Draghi towards the end of June, in which he asserted that policy tools needed to be adjusted as the economy recovers, was interpreted by the markets as a hawkish warning that policy is about to be tightened sooner than markets expected. Sovereign bond yields across the euro zone rose considerably, with the German 10-year bund yield spiking by 15 basis points in 24 hours.

8.4 Local Developments in the Domestic MGS market

At the end of June, the yield of the new 10-year bond which was issued in February 2017 (1.5% MGS 2027) stood at 1.28 per cent or 10bps lower than the weighted average yield of 1.38 per cent which emerged from the auction. At the end of June, the spread over the corresponding bund stood at 81 bps i.e. 42 lower than the spread over the bund reported on 27th February 2017, being the date when the 10-year stock started trading on the secondary market of the Malta Stock Exchange.

Similar to the rest of most Euro Area member states, the first half of 2017 was characterised by market volatility mostly sparked by political risks. The month of March was a volatile month for the sovereign debt markets with domestic 10-year yield increasing by as much as 24 bps then dropping back to the levels registered at the beginning of the month.

Between 1st April and mid-May, the 10-year MGS yield hovered between 1.40 per cent - 1.45 per cent, dropping by 5bps to 1.35 per cent between mid-May and early June. From the second full week of June up to the first day of the final week of June, the 10-year MGS yield dropped by 15bps. On 26th June it hit the lowest point at 1.1 per cent, since the stock was listed.

However, following Mr Draghi's speech of the 27th June 2017, the 10-year MGS yield spiked by 18 basis within a span of four days and closed the month at 1.28 per cent. This increase was in line with the increases observed in comparable bonds of similar maturity issued by other Euro Area issuers. At the end of June, 10-year MGS spread over the bund stood at 81 bps which the lowest spread reported from when the 10-year MGS was listed.

In the period under review, the yields in the five-year MGS (short-term) and the twenty-year (long-term) MGS increased in line with most euro area sovereign bonds. At the end of June, the yield the five-year MGS stood at 0.31 per cent or 28bps higher than it was at the beginning of the period under review. Similarly, the yield on the twenty-year MGS closed at 2.26 per cent that is 18 bps higher than it stood at the beginning of January 2017. As stated before, Mr Draghi's speech of 27th June had a negative impact on yields across the yield curve. Both the five and twenty-year yield with the yield of the 5-year yield increased by 17 bps and the 20-year yield increasing by 13 bps at the end of June within a span of four days. Notwithstanding the increase in yields for both maturities, the spreads over the comparable maturity benchmark Bunds narrowed marginally over the period under review for both of them.

8.5 Primary Market

During the first semester of 2017, the Treasury launched a Malta Government Stock issue in February through three new Malta Government Stocks offering €130 million plus €90 million over-allotment option. The MGS issue offered fixed coupons of 1.4 per cent, 1.5 per cent and 2.2 per cent and maturing in 2023 (7 year), 2027 (10 year) and 2035 (19 year) respectively. The issue was opened for both retail and institutional investors.

The total participation in the first MGS issuance of the year amounted to just above €282 million, attracting a robust demand from wholesale institutions. As a result of healthy liquidity balances, the Treasury allotted €182.9 million. In this issuance, the Treasury allotted €125.3 million in the 7-year stock, €37 million in the 10-year stock and €20.5 million in the 19-year stock.

Through the first issuance, the Treasury raised 36.6 per cent of the maximum funding requirements for this year, which are not expected to exceed €500 million. Borrowing requirements were revised down from the published figure of €600 million in the financial estimates for 2017. The programme for this year is planned to be covered over three to four more issuances of Government Securities including the issuance of Malta Government Retail Savings Bond for individuals born in 1955 or before which will be launched between August and November.

As at 30th June 2017, the Weighted Average Maturity (WAM) of the MGS portfolio stood at 9.31 years up from 8.9 years reported at end of June 2016. However, due to higher allotment in the short-term bond in the first issuance of this year, the WAM as at 30th June 2017 was marginally lower than that achieved as at 31st December 2016 which then stood at 9.8 years.

8.6 Money Market

In the first six months of this year, the Treasury held 26 T-bills auctions, once every week. The total amount of T-Bills issued amounted to €254.6 million (nominal) and were mostly allotted in the 91-day tenor (71%). This was equivalent to an average of €9.8 million per issuance and worked out to a reduction of 46.3 per cent over the weekly average for the same period of last year. The total redemptions in the first six months of the year amounted to €322.2 million.

The 91-day-tenor was issued at weighted average rate of -0.354 per cent i.e. below the 3-month Euribor average (-0.329%) for the corresponding period (H1- 2017).

In H1-2017, all T-Bills issuances were allotted at negative interest and the Treasury earned €288,039 in negative interest, an amount higher when compared to the correspondent period of last year (H1-2016: €243,063).

9. Conclusion: Consistency with Fiscal Rules and SGP Requirements

The Medium-Term Objective (MTO) of a balanced structural budget was achieved in 2016, well ahead of the 2019 target consistent with the calendar of convergence established by the European Commission for Malta. On account of these developments, the debt-to-GDP ratio has declined to 58.3 per cent of GDP in 2016, from 60.6 per cent a year earlier, thus below the 60 per cent of GDP reference value.

In 2017, economic growth projections have been revised upwards and the output gap is expected to be more positive than originally forecasted. Nevertheless, in the context of a starting position where the MTO was over-achieved already in 2016, the fiscal situation transcends the normal fiscal rules of the SGP and the FRA. In 2017, a broadly neutral fiscal stance is thus envisaged. Indeed, during the current fiscal year, the general Government balance is expected to remain in surplus, and the structural balance is expected to improve marginally to 0.5 percentage points of potential GDP thus remaining in excess of the MTO. Government debt is expected to decrease further to 55.6 per cent in 2017.

10. Annex Tables

Main Macroeconomic Indicators

Table 1

	2014[1]	2015[1]	2016[1]	2017[af]	2017[sf]
GDP growth at current Market Prices (%)	**10.6**	**9.8**	**6.7**	**5.8**	**6.3**
GDP growth at chain-linked volumes by period (reference year 2010)	**8.3**	**7.3**	**5.0**	**3.5**	**4.3**
Expenditure Components of GDP chain-linked volumes by period (reference year 2010)					
Private Final Consumption Expenditure[2]	2.6	5.8	2.5	3.2	3.6
General Government Final Consumption Expenditure	6.5	3.8	-2.9	5.9	12.4
Gross Fixed Capital Formation	5.9	49.2	-0.6	10.8	-1.3
Exports of Goods and Services	6.0	3.9	3.5	2.8	3.4
Imports of Goods and Services	1.7	7.8	0.9	4.2	3.2
Contribution to GDP growth:					
Domestic Demand	3.7	12.2	0.6	5.4	3.7
Inventories	-2.3	-0.1	0.7	0.0	0.0
Net Exports	6.9	-4.8	3.7	-2.0	0.6
Inflation rate (%)	**0.8**	**1.2**	**0.9**	**1.5**	**1.5**
Employment growth (%)[3]	**5.1**	**3.9**	**3.5**	**2.7**	**3.2**
Unemployment rate (%)	**5.8**	**5.4**	**4.7**	**5.0**	**4.6**
Potential GDP growth	**4.5**	**6.3**	**5.8**	**4.6**	**5.3**
Output Gap	**1.6**	**2.7**	**2.0**	**0.1**	**1.0**

Notes:

af - Autumn (Budget) Forecasts

sf - Spring (Revised) Forecasts

[1] Actual data Source: NSO News Release No. 093/2017 - GDP Release 2017/Q1

[2] Includes NPISH final consumption expenditure

[3] LFS resident population concept definition

Central Government Finances - Consolidated Fund

Table 2

	Jan - Dec 2016 *Actual* *€ 000*	Jan - Dec 2017 *Approved Estimates* *€ 000*	Jan - Jun 2016 *Actual* *€ 000*	Jan - Jun 2016 *Actual as a % of 2016*	Jan - Jun 2017 *Actual* *€ 000*	Jan - Jun 2017 *Actual as a % of 2017*
Revenue	**3,806,963**	**3,887,603**	**1,657,055**	***43.5***	**1,828,413**	***47.0***
Tax Revenue	**3,445,972**	**3,542,304**	**1,489,175**	***43.2***	**1,582,255**	***44.7***
Indirect Tax Revenue	*1,313,313*	*1,384,954*	*605,724*	*46.1*	*666,638*	*48.1*
Customs and Excise Duties	277,506	307,000	129,941	*46.8*	139,283	*45.4*
Licenses, Taxes, and Fines	311,009	303,124	156,243	*50.2*	164,799	*54.4*
Value Added Tax	724,798	774,830	319,540	*44.1*	362,556	*46.8*
Direct Tax Revenue	*2,132,659*	*2,157,350*	*883,451*	*41.4*	*915,617*	*42.4*
Income Tax	1,328,270	1,316,350	522,841	*39.4*	535,891	*40.7*
Social Security	804,389	841,000	360,610	*44.8*	379,726	*45.2*
Non-Tax Revenue	**360,991**	**345,299**	**167,880**	***46.5***	**246,158**	***71.3***
Fees of Office	71,357	53,741	12,771	*17.9*	47,846	*89.0*
Reimbursements	28,650	33,887	12,423	*43.4*	16,527	*48.8*
Public Corporations	0	0	0	*0.0*	0	*0.0*
Central Bank of Malta	50,000	50,000	36,000	*72.0*	36,000	*72.0*
Rents	29,883	33,140	17,552	*58.7*	18,400	*55.5*
Dividends on Investments / Receipts	39,147	47,800	11,941	*30.5*	17,125	*35.8*
Interests on Loans made by Government	98	2,201	72	*73.5*	33	*1.5*
Grants	102,340	91,933	58,284	*57.0*	94,072	*102.3*
Miscellaneous	39,516	32,597	18,837	*47.7*	16,155	*49.6*
Total Expenditure[(1)]	**3,798,092**	**4,015,903**	**1,767,684**	***46.5***	**1,920,439**	***47.8***
Recurrent Expenditure	**3,264,338**	**3,434,868**	**1,529,621**	***46.9***	**1,674,179**	***48.7***
Personal Emoluments	782,057	821,568	359,510	*46.0*	376,923	***45.9***
Operations and Maintenance	176,008	176,855	90,387	*51.4*	88,498	***50.0***
Programmes and Initiatives	1,950,979	2,064,516	913,002	*46.8*	1,031,374	***50.0***
Contributions to Government Entities	355,294	371,929	166,722	*46.9*	177,384	***47.7***
Interest Payments	**223,454**	**219,108**	**111,787**	***50.0***	**106,204**	***48.5***
Capital Expenditure	**310,300**	**361,927**	**126,276**	***40.7***	**140,056**	***38.7***
Foreign Funds	52,053	91,933	15,835	*30.4*	26,424	***28.7***
National Funds (incl Co Financing)	258,247	269,994	110,441	*42.8*	113,632	***42.1***
Consolidated Fund Balance	**8,871**	**-128,300**	**-110,629**		**-92,026**	

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]

Table 3

	Jan-June 2016 *Actual* *€ 000*	Jan-June 2017 *Actual* *€ 000*
Consolidated Fund[2]	**-110,628**	**-92,025**
1. **Total Revenue**	**1,573,311**	**1,736,845**
Taxes, of which:	1,124,014	1,195,324
Current Taxes on Income, Wealth, etc	550,771	565,293
Taxes on Production and Imports, of which:	573,243	630,031
VAT	319,540	362,556
Social Contributions	282,491	317,356
Market Output	29,250	68,207
Current Transfers	35,634	7,726
Capital Transfers	51,946	97,775
Property Income	49,976	50,458
2. **Total Expenditure**	**1,683,939**	**1,828,871**
Intermediate Consumption	201,589	203,252
Compensation of employees	424,432	445,729
Interest	108,456	102,884
Subsidies	38,161	35,220
Social Benefits	505,421	561,583
Current Transfers	351,444	412,821
Capital Transfers Payable	6,092	6,159
Capital Investment	48,345	61,223

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 2016 *Actual* € 000	Jan - Dec 2017 *Approved Estimate* € 000	Jan - Jun 2016 *Actual* € 000	Jan - Jun 2016 *Actual as a % of 2016*	Jan - Jun 2017 *Actual* € 000	Jan - Jun 2017 *Actual as a % of 2017*
	Recurrent Expenditure						
1	Office of the President	4,699	4,345	2,071	44.1	2,520	58.0
2	House of Representatives	4,629	10,034	2,062	44.5	1,926	19.2
3	Office of the Ombudsman	1,025	1,100	600	58.5	600	54.5
4	National Audit Office	3,000	3,150	1,680	56.0	1,838	58.3
5	Office of the Prime Minister	33,828	34,357	20,297	60.0	16,022	46.6
6	Public Service Commission	581	653	268	46.1	273	41.8
7	Information	1,085	1,246	496	45.7	463	37.2
8	Government Printing Press	1,309	1,393	636	48.6	663	47.6
9	Electoral Office	2,066	2,267	995	48.2	2,251	99.3
10	Energy and Projects		70,463			29,461	41.8
11	Ministry for European Affairs and Implementation of the Electoral Manifesto	32,828	44,989	7,134	21.7	24,525	54.5
12	Ministry for Foreign Affairs	26,622	32,728	11,741	44.1	11,397	34.8
13	Ministry for Education and Employment	250,541	268,222	128,943	51.5	120,893	45.1
14	Education	217,801	225,241	105,177	48.3	110,621	49.1
15	Ministry for Transport and Infrastructure	94,042	96,077	44,280	47.1	46,779	48.7
16	Ministry for Gozo	29,431	30,903	13,556	46.1	14,640	47.4
17	Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	12,099	14,087	4,428	36.6	6,491	46.1
18	Industrial and Employment Relations	1,514	1,585	738	48.7	768	48.5
19	Ministry for the Economy, Investment and Small Business	35,772	18,867	17,655	49.4	9,537	50.5
20	Commerce	1,859	2,072	863	46.4	775	37.4
21	Ministry for Finance	103,483	152,603	48,191	46.6	72,009	47.2
22	Treasury	7,331	13,643	3,090	42.1	4,318	31.6
24	Inland Revenue	8,147	8,381	4,023	49.4	3,961	47.3
25	V.A.T.	7,124	6,225	3,088	43.3	3,361	54.0
26	Customs	10,988	11,514	5,281	48.1	4,892	42.5
27	Contracts	1,620	1,716	749	46.2	651	37.9
28	Economic Policy	1,211	1,384	484	40.0	634	45.8
29	Ministry for the Family and Social Solidarity	56,661	69,228	31,405	55.4	40,694	58.8
30	Social Policy	274,308	288,009	110,438	40.3	119,078	41.3
31	Social Security Benefits	900,700	927,730	423,169	47.0	479,796	51.7
32	Pensions	96,881	93,193	49,778	51.4	52,888	56.8
33	Social Welfare Standards	1,104	1,322	526	47.6	535	40.5
34	Elderly and Community Care	94,327	97,839	46,198	49.0	52,174	53.3
35	Ministry for Justice, Culture and Local Government	39,479	41,685	17,532	44.4	20,954	50.3
36	Judicial	13,587	14,089	6,567	48.3	7,068	50.2
37	Local Government	39,538	42,492	18,721	47.3	20,300	47.8
38	Ministry for Tourism	67,354	65,919	29,778	44.2	32,835	49.8
39	Ministry for Home Affairs and National Security	14,517	13,654	6,674	46.0	6,732	49.3
40	Armed Forces of Malta	46,309	49,559	20,353	44.0	21,639	43.7
41	Police	57,721	58,951	27,115	47.0	28,393	48.2
42	Correctional Services	11,172	11,738	5,093	45.6	5,379	45.8
43	Probation and Parole	1,078	1,128	487	45.2	513	45.5
44	Civil Protection	5,665	5,866	2,619	46.2	2,565	43.7
45	Ministry for Sustainable Development, the Environment and Climate Change	66,944	62,011	24,219	36.2	29,143	47.0
46	Ministry for Competitiveness and Digital, Maritime and Services Economy		18,812			9,181	48.8
47	Ministry for Health	498,138	516,898	239,062	48.0	252,043	48.8
	[Government Property Division	7,088		3,315	46.8		
	[Ministry for Energy and Health	77,132		38,046	49.3		
	TOTAL RECURRENT EXPENDITURE	**3,264,338**	**3,439,368**	**1,529,621**	**46.9**	**1,674,179**	**48.7**
25	Public Debt Servicing						
	Contribution to Sinking Fund - Local	3,261	3,261	1,631	50.0	1,630	50.0
	Contribution to Special MGS Sinking Fund	50,000	50,000	5,000	10.0	15,000	30.0
	Interest - Local	222,124	218,086	110,723	49.8	105,494	48.4
	Repayment of Loan - Local	485,399	372,926	137,172	28.3	---	---
	Contribution to Sinking Fund - Foreign	6,465	1,663	3,233	50.0	832	50.0
	Interest - Foreign	1,329	846	1,063	80.0	710	83.9
	Interest - Short-term borrowing	1	176	---	---	---	---
	TOTAL PUBLIC DEBT SERVICING	**768,579**	**646,958**	**258,822**	**33.7**	**123,666**	**19.1**
	TOTAL RECURRENT EXPENDITURE AND PUBLIC DEBT SERVICING	**4,032,917**	**4,086,326**	**1,788,443**	**44.3**	**1,797,845**	**44.0**

Central Government Finances by Expenditure Vote (Consolidated Fund)

Table 4

		Jan - Dec 2016 *Actual* *€ 000*	Jan - Dec 2017 *Approved Estimate* *€ 000*	Jan - Jun 2016 *Actual* *€ 000*	Jan - Jun 2016 *Actual as a % of 2016*	Jan - Jun 2017 *Actual* *€ 000*	Jan - Jun 2017 *Actual as a % of 2017*
Capital Expenditure							
I	Office of the President	175	172	54	30.9	257	149.4
II	House of Representatives		254			101	39.8
III	Office of the Prime Minister	11,968	21,394	6,377	53.3	7,498	35.0
IV	Ministry for European Affairs and Implementation of the Electoral Manifesto	35,085	38,038	11,890	33.9	5,816	15.3
V	Ministry for Foreign Affairs	1,460	1,366	456	31.2	425	31.1
VI	Ministry for Education and Employment	35,136	42,297	13,872	39.5	21,891	51.8
VII	Ministry for Transport and Infrastructure	49,382	58,360	18,115	36.7	27,501	47.1
VIII	Ministry for Gozo	6,020	9,241	961	16.0	1,923	20.8
IX	Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	802	2,637	323	40.3	989	37.5
X	Ministry for the Economy, Investment and Small Business	38,406	25,384	15,996	41.6	13,637	53.7
XI	Ministry for Finance	25,792	32,946	21,943	85.1	22,119	67.1
XII	Ministry for the Family and Social Solidarity	4,535	6,575	1,576	34.8	2,285	34.8
XIII	Ministry for Justice, Culture and Local Government	7,392	20,920	1,948	26.4	3,591	17.2
XIV	Ministry for Tourism	16,700	6,705	1,621	9.7	2,806	41.8
XV	Ministry for Home Affairs and National Security	23,762	17,756	7,548	31.8	6,564	37.0
XVI	Ministry for Sustainable Development, the Environment and Climate Change	35,881	44,607	17,977	50.1	9,681	21.7
XVII	Ministry for Competitiveness and Digital, Maritime and Services Economy		15,132			8,419	55.6
XVIII	Ministry for Health		18,143			4,553	25.1
	[Ministry for Energy and Health	17,804		5,619	31.6		
	TOTAL CAPITAL EXPENDITURE	**310,300**	**361,927**	**126,276**	**40.7**	**140,056**	**38.7**
XI	Ministry for Finance Investment - Equity Acquisition	12,993	32,600	12,484	96.1	2,101	6.4
	TOTAL CAPITAL EXPENDITURE AND INVESTMENT	**323,293**	**394,527**	**138,760**	**42.9**	**142,157**	**36.0**
	TOTAL EXPENDITURE	**4,356,210**	**4,480,853**	**1,927,203**	**44.2**	**1,940,002**	**43.3**

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 Estimate 2017 *€ 000*	Actual Jan-Jun 2017 *€ 000*	Approved Estimate 2017 *€ 000*	Actual Jan-Jun 2017 *€ 000*	Approved Estimate 2017 *€ 000*	Actual Jan-Jun 2017 *€ 000*	Approved Estimate 2017 *€ 000*	Actual Jan-Jun 2017 *€ 000*
General Public Services	91,476	38,322	36,989	13,989	236,405	115,884	9,677	4,258
Defense	41,639	18,965	7,542	2,418	865	359	150	112
Public Order and Safety	90,070	42,621	11,349	5,359	4,377	2,134	8,048	4,128
Economic Affairs	74,750	34,938	12,329	6,319	137,901	66,141	100,436	49,836
Environmental Protection	2,345	251	517	163	22,848	10,031	23,200	11,616
Housing and Community Affairs	851	341	139	47	5,550	2,039	13,432	6,772
Health	249,972	114,351	61,743	29,276	159,784	85,895	47,220	23,394
Recreation, culture and religion	7,235	3,254	1,293	505	12,569	3,742	23,419	11,416
Education	210,423	99,459	20,022	13,472	119,125	58,159	115,928	49,491
Social Protection	52,807	24,421	24,931	16,949	1,369,592	686,989	30,419	16,360
Total	**821,568**	**376,923**	**176,855**	**88,498**	**2,069,016**	**1,031,374**	**371,929**	**177,384**

	Interest Expenditure		Capital Expenditure		Total expenditure	
	Approved Estimate 2017 *€ 000*	Actual Jan-Jun 2017 *€ 000*	Approved Estimate 2017 *€ 000*	Actual Jan-Jun 2017 *€ 000*	Approved Estimate 2017 *€ 000*	Actual Jan-Jun 2017 *€ 000*
General Public Services	219,108	106,204	65,990	11,594	**659,646**	**290,252**
Defense	0	0	7,690	3,207	**57,886**	**25,061**
Public Order and Safety	0	0	37,252	6,848	**151,096**	**61,090**
Economic Affairs	0	0	180,287	82,637	**505,703**	**239,871**
Environmental Protection	0	0	18,510	6,019	**67,420**	**28,080**
Housing and Community Affairs	0	0	10,135	1,572	**30,107**	**10,771**
Health	0	0	13,822	3,735	**532,541**	**256,652**
Recreation, culture and religion	0	0	26,259	7,883	**70,775**	**26,800**
Education	0	0	28,827	14,899	**494,325**	**235,480**
Social Protection	0	0	5,755	1,661	**1,483,504**	**746,381**
Total	**219,108**	**106,204**	**394,527**	**140,055**	**4,053,003**	**1,920,438**

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

	2016 Jan - Jun *€ 000*	2017 Jan - Jun *€ 000*	
Consolidated Fund Surplus / Deficit	**-110,628**	**-92,025**	[1]
Adjustments to the Consolidated Fund:			
Loan Repayment	0	0	
Equities, acquisitions (+)	0	0	[2]
Equities, sales (-)	0	0	
Other financial transactions	0	0	[3]
Difference between interest paid (+) and interest accrued (-)	-4,294	-2,442	[4]
Other accounts receivable (+) and payable (-)	-25,929	-71,675	[5]
Time-adjusted cash transactions	88,495	126,799	[6]
Treasury Clearance Fund flows in non-financial transactions	53,274	32,240	
Sinking Fund interests' received	1,638	1,636	
Quarterly adjustments	-30,911	-39,274	[7]
EFSF re-routing	106	-33	[8]
Equity injection	-11,984	0	[9]
Debt assumption	0	0	
Other adjustments	-10,910	0	
Net Borrowing (-) / Net Lending (+) of Extra Budgetary Units	4,815	107,006	[10]
Net Lending (+) / Net Borrowing (-) of Local Government	4,461	4,352	[11]
Net Lending (+) / Net Borrowing (-) of General Government	**-41,867**	**66,583**	

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 also 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.
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. 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.
8. Re-routed operations of the European Financial Stability Facility.
9. Equity injection to Air Malta plc. The debt-to-equity conversion in 2016 failed the capital injection test. Previous equity injections to the national air carrier feature as expenditure in the Consolidated Fund Surplus / Deficit.
10. The aggregated net borrowing (-) / net lending (+) of the extra budgetary units forming part of the Central Government Sector.
11. 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 2017Q2 was partly estimated and is to be considered as provisional

Table 6b

	ESA Code	2016 Actual *€ 000*	2017 Budget Forecast *€ 000*	Jan-Jun 2016 Actual *€ 000*	Jan-Jun 2017 Provisional *€ 000*	2017 Revised Forecast *€ 000*
Net lending (+)/net borrowing (-)						
1. **General Government**	S.13	**101,049**	**-50,000**	**-41,867**	**66,583**	**89,000**
2. Central Government	S.1311	98,731	-48,787	-46,328	62,231	90,213
3. State Government	S.1312	-	-	-	-	-
4. Local Government	S.1313	2,319	-1,214	4,461	4,352	-1,213
5. Social Security funds	S.1314	-	-	-	-	-
For the General Government						
6. **Total Revenue**	TR	**3,871,288**	**3,910,153**	**1,752,960**	**1,985,065**	**4,078,902**
Of which						
Taxes on Production and Imports	D.2	1,264,566	1,324,396	575,158	613,241	1,319,750
Current Taxes on Income, Wealth, etc.	D.5	1,375,947	1,379,455	649,285	690,120	1,493,855
Capital Taxes	D.91	15,943	17,184	6,706	10,236	18,903
Social Contributions	D.61	639,278	658,543	307,930	327,699	679,908
Property Income	D.4	92,006	104,982	54,857	56,660	109,766
Other [(a)]		483,550	425,593	159,023	287,109	456,721
7. **Total Expenditure**	TE	**3,770,239**	**3,960,153**	**1,794,826**	**1,918,481**	**3,989,902**
Of which						
Compensation of employees	D.1	1,185,731	1,240,803	590,653	624,473	1,268,440
Intermediate Consumption	P.2	635,910	683,974	287,750	323,572	714,039
Social Payments	D.6	1,078,871	1,096,153	540,098	571,794	1,112,922
Interest Expenditure	D.41	217,774	207,735	107,602	102,511	206,548
Subsidies	D.3	129,228	112,357	56,430	64,894	110,063
Gross Fixed Capital Formation	P.51	251,858	352,056	102,251	104,982	273,432
Capital Transfers	D.9	77,342	45,188	38,528	20,765	106,715
Other [(b)]		193,525	221,887	71,515	105,490	197,744
8. **Gross Debt** [(c)]		**5,766,543**	**6,092,971**	**5,857,447**	**5,865,792**	**5,848,049**

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	2016	2017[af]	2017[sf]
		% GDP	*% GDP*	*% GDP*
Net lending (+)/Net borrowing (-) by sub-sector				
1. General Government	S.13	1.0	-0.5	0.5
2. Central Government	S.1311	1.0	-0.5	0.5
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	39.1	39.8	38.5
7. Total Expenditure	TE	38.1	40.3	38.0
8. Interest Expenditure	D.41	2.2	2.1	2.0
9. Primary Balance [(a)]		3.2	1.6	2.5
10. One-off and other temporary measures [(b)]		-0.1	-0.2	-0.2
11. Real GDP growth (%)		5.0	3.5	4.3
12. Potential GDP growth (%)		5.8	4.6	5.3
13. Output Gap (%)		2.0	0.1	1.0
14. Cyclical Budgetary Component		0.9	0.0	0.5
15. Cyclically-Adjusted Balance (1 - 14)		0.1	-0.5	0.0
16. Cyclically-Adjusted Primary Balance (15 + 8)		2.3	1.6	2.0
17. Structural Balance (15 - 10)		0.2	-0.3	0.2

Notes:

af - Autumn (Budget) Forecasts as a % of Autumn GDP forecasts
sf - Revised Forecasts as a % of Spring GDP forecasts
[(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 Creditors[1]

Table 8

Vote	Ministry/Department	Outstanding Creditors 2016Q4 €	2017Q2 €
1	Office of the President	154,838	12,197 [2]
2	House of Representatives	202,586	74,561 [2]
5	Office of the Prime Minister	122,583	666,727 [2]
	Government Property Division	45,184,231	45,184,231 [5]
6	Public Service Commission	46	0 [2]
7	Information	3,902	21,584 [2]
8	Government Printing Press	0	448 [2]
9	Electoral Office	13,778	0 [2]
10	Energy and Projects	0	841,778 [2]
11	Ministry for European Affairs and Implementation of the Electoral Manifesto	44,392	273,987 [2]
12	Ministry for Foreign Affairs	61,071	70,417
13	Ministry for Education and Employment	2,039,346	187,622 [2]
14	Education	20,054	118,117 [2]
15	Ministry for Transport and Infrastructure	3,697,420	4,578,245 [2]
16	Ministry for Gozo - Corporate	5,523	92,217 [2]
	Ministry for Gozo - Customer Services	42,899	146,475 [2]
	Ministry for Gozo - Projects & Development	53,809	211,595
17	Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	14,160	12,607 [2]
18	Industrial and Employment Relations	0	0
19	Ministry for the Economy, Investment and Small Business	1,243	12,751 [2]
20	Commerce	145,662	142,804
21	Ministry for Finance	217,728	50,975 [2]
22	Treasury	11,594	1,359,893 [2]
24	Inland Revenue	11,832	25,093 [2]
25	VAT	1,408,459	832,846 [2]
26	Customs	58,582	26,243 [2]
27	Contracts	18	4,176
28	Economic Policy	98,634	6,363
29	Ministry for the Family and Social Solidarity	169,535	139,943 [6]
30	Social Policy	22,985	10,345 [6]
31	Social Security Benefits	1,811,693	2,368,028 [2]
32	Pensions	0	0 [2]
33	Social Welfare Standards	873	7,386
34	Elderly and Community Care	15,928,151	18,102,057 [2]
35	Ministry for Justice, Culture and Local Government	87,906	228,787 [2]
	Notary to Government	1,099	1,563
	Attorney General	0	2,589 [2]
36	Judicial	341,735	475,502 [2]
37	Local Government	0	50,816 [2]
38	Ministry for Tourism	279,941	273,867 [2]
	Institute of Tourism Studies	260,355 [3]	260,355 [3]
39	Ministry for Home Affairs & National Security	57,661	53,340 [2]
40	Armed Forces of Malta	622,519	622,519 [5]
41	Police	215,691	8,152 [2]
42	Correctional Services	65,582 [4]	1,255
43	Probation and Parole	0	0
44	Civil Protection	116,675	118,805 [2]
45	Ministry for Sustainable Development, the Environment and Climate Change	2,876,945	1,391,361 [2]
46	Ministry for Competiteveness and Digital, Maritime and Services	358,265	131,126 [2]
47	Health	1,093,603	1,861,987
	Mater Dei Hospital	15,532,150	15,201,047 [2]
	Gozo General Hospital	0	- [7]
	Government Pharmaceutical Services	18,946,474	21,438,982 [2]
	Sir Anthony Mamo Oncology Centre	1,713,822	2,357,331 [2]
	Primary Health Care	467,418	307,788 [2]
	Total Outstanding Creditors	**114,585,468**	**120,368,882**

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 Treasury department Debtors/Creditors template as per circular number MF10/2001. The normal deadline for the submission of these templates is 10 working days from the end of the month, however, for this report the deadline for the provision of the accruals data for 2017Q2 was reduced to 8 working days.

2. Provisional data, yet to be validated.
3. The latest data submitted is for 2016Q3.
4. The latest data submitted is for 2015Q2.
5. The latest data submitted is for 2016Q4.
6. Data for 2017Q2 is yet not sent as per requested deadline, figures shown are for 2017Q1.
7. Gozo General Hospital was privatised in 2016.
8. The accruals data, collected by the Treasury Department, is used by the NSO to compile the General Government Sector deficit/surplus. For this purpose, the 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
Public Service Commission	0	0	0	0	0	0	0	0
Government Printing Press	447,559	40,280	10,070	10,070	20,140	52,977	5,711	58,688
Electoral Office	0	0	0	0	0	0	0	0
Information	64,420	5,798	1,449	1,449	2,899	138	83	221
Government Property Division	27,364,302	2,462,787	615,697	615,697	1,231,394	580,441	476,320	1,056,761
	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								
Ministry	285,693	25,712	6,428	6,428	12,856	6,174	3,455	9,629
Education Dept	250,866	22,578	5,644	5,644	11,289	12,744	53,996	66,740
	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							
Transport Malta	23,662,372	1,500,000	375,000	375,000	750,000	767,798	102,591	870,389
	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
Ministry for Social Dialogue and Consumer Affairs	13,917	1,253	313	313	626	0	0	0
Department of Industrial and Employment Relations	110,776	9,970	2,492	2,492	4,985	1,560	945	2,505
	124,693	11,222	2,806	2,806	5,611	1,560	945	2,505
Ministry for Economy, Investment and Small Business	7,869,346							
Commerce Department	2,122,155	500,000	125,000	125,000	250,000	26,280	47,556	73,836
	9,991,501	500,000	125,000	125,000	250,000	26,280	47,556	73,836
Ministry for Finance	2,149,230	193,431	48,358	48,358	96,715	47	116	163
Treasury	0	0	0	0	0	0	0	0
Central Salaries and Pensions	29,160,291	2,624,426	656,107	656,107	1,312,213	103,782	0	103,782
Inland Revenue Department	246,461,820	22,181,564	5,545,391	5,545,391	11,090,782	16,081,341	12,537,985	28,619,326
VAT Department	70,087,548	6,307,879	1,576,970	1,576,970	3,153,940	1,013,614	953,911	1,967,525
Contracts	125,828	11,325	2,831	2,831	5,662	2,957	5,915	8,872
Economic Policy Department	9,564	861	215	215	430	N/A	N/A	0
Customs Department	37,137,206	3,342,349	835,587	835,587	1,671,174	24,754	16,071	40,825
	385,131,487	34,661,834	8,665,458	8,665,458	17,330,917	17,226,495	13,513,998	30,740,493

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 Energy and Health								
Energy	0	0	0	0	0	0	0	0
Health								
Health Department	866,075	77,947	19,487	19,487	38,973	52,120	291,501	343,621
Mater Dei Hospital	4,201,410	378,127	94,532	94,532	189,063	269	0	269
Primary Health Care	10,345	931	233	233	466	116	0	116
Gozo General Hospital	80,505	7,245	1,811	1,811	3,623	175	23	198
Sir Paul Boffa	43,396	3,906	976	976	1,953	0	0	0
	5,201,731	468,156	117,039	117,039	234,078	52,680	291,524	344,204
Ministry for Family and Social Solidarity	0	0	0	0	0	0	0	0
Social Policy	0	0	0	0	0	0	0	0
Social Security Benfits	21,439,800	1,929,582	482,396	482,396	964,791	367,006	644,156	1,011,162
Social Welfare Standards	2,690	242	61	61	121	0	0	0
Elderly and Community Care	4,227,992	380,519	95,130	95,130	190,260	115,083	42,044	157,127
	25,670,482	2,310,343	577,586	577,586	1,155,172	482,089	686,200	1,168,289
Ministry for Justice, Culture and Local Government	0	0	0	0	0	0	0	0
Office of the Attorney General	26,305	2,367	592	592	1,184	2,359	1,176	3,535
Notary to Government	17,988	1,619	405	405	809	0	0	0
Judicial	10,905,731	981,516	245,379	245,379	490,758	207,204	233,153	440,357
Local Government	3,150	284	71	71	142	0	0	0
	10,953,174	985,786	246,446	246,446	492,893	209,563	234,329	443,892
Ministry for Tourism	1,665,960	149,936	37,484	37,484	74,968	107,637	78,950	186,587
ITS	270,366	24,333	6,083	6,083	12,166			0
	1,936,326	174,269	43,567	43,567	87,135	107,637	78,950	186,587
Ministry for Home Affiars and National Security	0	0						
Armed Forces of Malta	582,235	52,401	13,100	13,100	26,201	25,323	19,270	44,593
Police	350,303	31,527	7,882	7,882	15,764	15,587	9,740	25,327
Corradino Correctional Facility	0	0	0	0	0	0	0	0
Civil Protection Department	9,748	877	219	219	439	727	250	977
Probation and Parole	0	0	0	0	0	0	0	0
	942,286	84,806	21,201	21,201	42,403	41,637	29,260	70,897
Total			*10,867,180*	*10,867,180*	***21,734,360***	*19,572,179*	*16,107,131*	***35,679,310***

General Government (S.13) Debt Developments and Prospects

Table 10

	ESA Code	2016 *% GDP*	2017[af] *% GDP*	2017[sf] *% GDP*
1. **Gross Debt**[(a)]		**58.3**	**61.9**	**55.6**
2. Change in Gross Debt ratio		-2.4	-1.4	-2.7
Contributions to changes in Gross Debt				
3. Primary Balance		-3.2	-1.6	-2.8
4. Interest Expenditure	D.41	2.2	2.1	2.0
5. Stock-flow adjustment		2.5	1.6	1.6
p.m.: Implicit interest rate on debt[(c)] (%)		3.9	3.5	3.6
Other relevant variables				
Percentage of debt related to foreign loans[(d)] (%)		0.3	0.1	0.2
Average MGS maturity (years) [(e)]		9.8	-	9.3
Real GDP growth (%)		5.0	3.5	4.3

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, wheras 1% is denominated in foreign currency.

(e) For 2017, data refers to position as at end June 2017.

Statement of General Government Sector Debt

Table 11

	Jan-Dec 2016 *Actual* *€ 000*	Jan-Dec 2017 *Budget Estimate* *€ 000*	Jan-Jun 2016 *Actual* *€ 000*	Jan-Jun 2017 *Actual* *€ 000*	Jan-Dec 2017 *Revised* *€ 000*
General Government Debt					
Malta Government Stocks	5,125,343	5,346,141	5,160,081	5,295,796	5,245,596
Treasury Bills	254,000	358,359	313,250	186,400	215,059
Domestic Loans with Commercial Banks	0	0	0	0	0
Foreign Loans	19,370	8,955	22,073	11,659	8,954
EBU's and Local Councils	123,809	121,070	121,236	125,936	125,936
Currency	72,832	87,257	69,618	74,812	81,315
EFSF (Debt Re-Routing)	171,189	171,189	171,189	171,189	171,189
Total	**5,766,543**	**6,092,971**	**5,857,447**	**5,865,792**	**5,848,049**
Public Debt Servicing					
Local Loans					
Interest (Treasury Bills)	0	176	0	0	1
Interest (MGS)	222,124	218,086	110,464	105,494	214,917
Interest (Domestic Loans with Commercial Banks)	1,089	0	1,089	0	0
(A) Total Interest - Local Loans	**223,213**	**218,262**	**111,553**	**105,494**	**214,918**
Contributions to Sinking Funds	3,261	3,261	1,631	1,631	3,261
Contribution to Special MGS Sinking Fund	50,000	50,000	5,000	15,000	50,000
Direct Loan Repayment	485,399	372,926	137,172	0	372,926
(B) Total Contributions to Sinking Funds and Direct Loan repayments	**538,660**	**426,187**	**143,803**	**16,631**	**426,187**
Total Servicing of Local Loans (A + B)	**761,873**	**644,449**	**255,356**	**122,125**	**641,105**
Foreign Loans					
Interest	1,329	846	1,063	710	846
Contributions to Sinking Funds	6,465	1,663	3,233	832	1,663
Total Servicing of Foreign Loans	**7,794**	**2,509**	**4,296**	**1,542**	**2,509**

Malta Government Securities/debt instruments with maturities of more than one year

	€ 000s
The revised amount of Malta Government Securities/debt instruments to be issued during 2017 shall not exceed	500,000
Total amount of Malta Government Stocks issued to date	182,870
The Total amount of Malta Government Securities/debt instruments to be issued in H2 of 2017 shall not exceed	317,130