# Malta: Half Yearly Report 2018

Ministry for Finance

July 2018

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# 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 fourth 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 2018.

Prof. Edward Scicluna
Minister for Finance

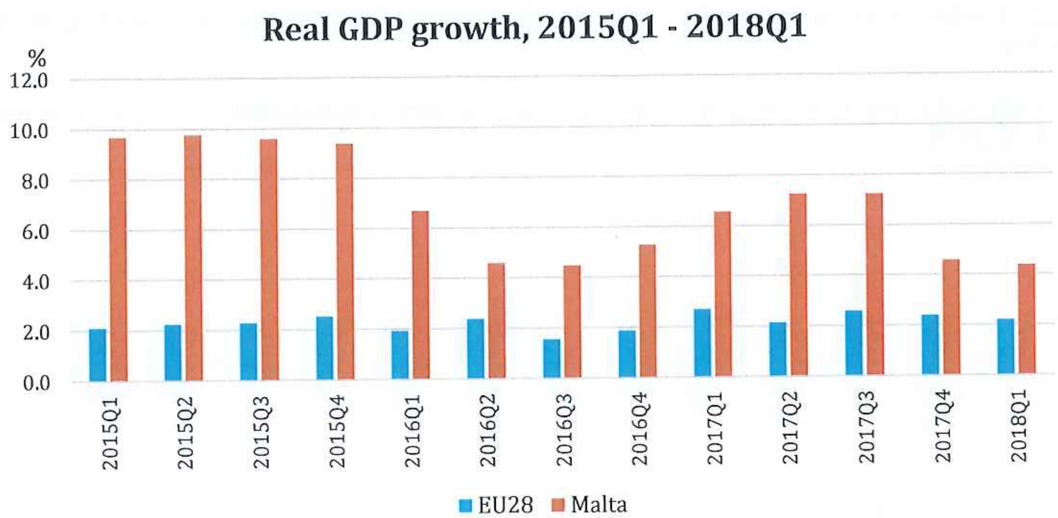
## 2. Overview of the Macroeconomic Situation

This section provides an economic update, and a comparison of the revised macroeconomic projections with the Budget projections, as well as a detailed explanation of the main changes.

### 2.1 Latest Economic Conditions

In 2017, the Maltese economy grew by 6.4 per cent compared with a growth rate of 5.2 per cent in the previous year. This compares well with a growth rate of 2.5 per cent recorded in the EU and 2.4 per cent in the EA. As was the case in recent years, Malta's economic performance exceeded expectations for 2017. Growth was primarily driven by strong external demand, as the growth in exports surpassed the growth in imports.

Over the short-term horizon, the Maltese economy is expected to maintain its robust performance and remain amongst the top performers in the EU in terms of economic growth. In fact, latest national accounts data released by NSO shows that in the first quarter of 2018, the economy recorded a growth rate of 4.4 per cent compared to the EU average of 2.2 per cent, primarily driven by favourable external demand conditions and growth in private and public consumption expenditure on the back of strong labour market conditions, subdued price growth and growing wages.




During the first quarter of 2018, total gross value added increased by €155.4 million, or 6.7 per cent. Growth was underpinned by an affirmative performance in all sectors of the economy, particularly the real estate activities sector (9.8 per cent), the public administration and defence, compulsory social security, education, human health and social work activities sector (9.8 per cent), the arts, entertainment and recreation, repair of household goods and other services sector (9.4 per cent), the wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage, accommodation and food service activities sector (6.2 per cent) and the professional, scientific and technical activities; administrative and support service activities sector (6.1 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.

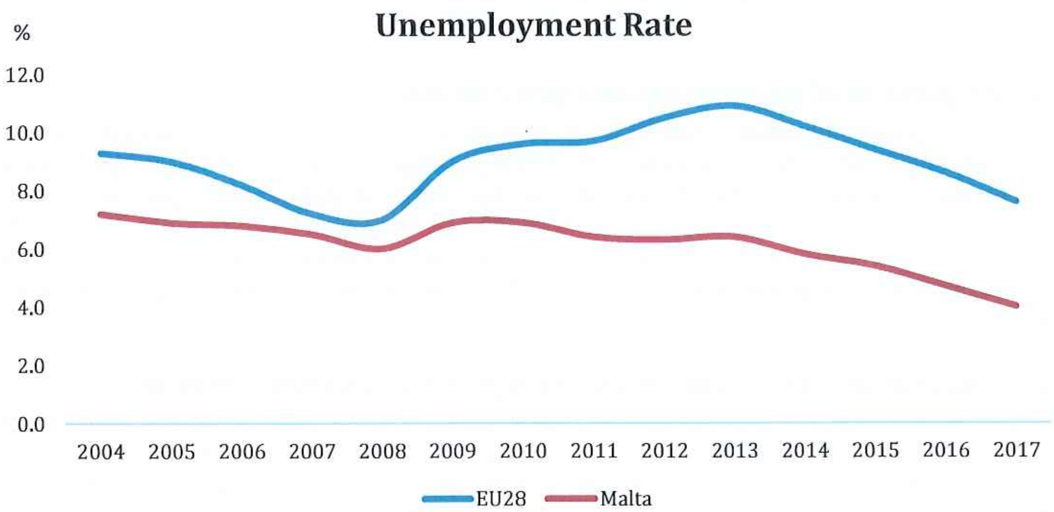
In nominal terms, total incomes grew by 6.5 per cent driven by a positive performance in both compensation of employees and gross operating surplus, which grew by 7.0 per cent (equivalent to €78.3 million) and 5.8 per cent (equivalent to €69.9 million), respectively. Net taxes increased by 7.6 per cent, or €22.8 million.

### 2.1.1 Labour Market

The labour market maintained its positive momentum, 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 3.2 per cent coupled with an unemployment rate of 4.6 per cent in 2016, the fifth lowest unemployment rate out of the Member States of the European Union[1].

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 1.8 percentage points in 2017 further reducing the discrepancy between genders in terms of employment.

During the last quarter of 2017, Malta maintained its strong labour market performance with employment increasing by 5.1 per cent over the corresponding period of last year and an unemployment rate of 3.7 per cent. As a result, the employment rate increased further by 3.1 percentage points to 69.3 per cent, moving closer towards the EU2020 target employment rate of 70 per cent.



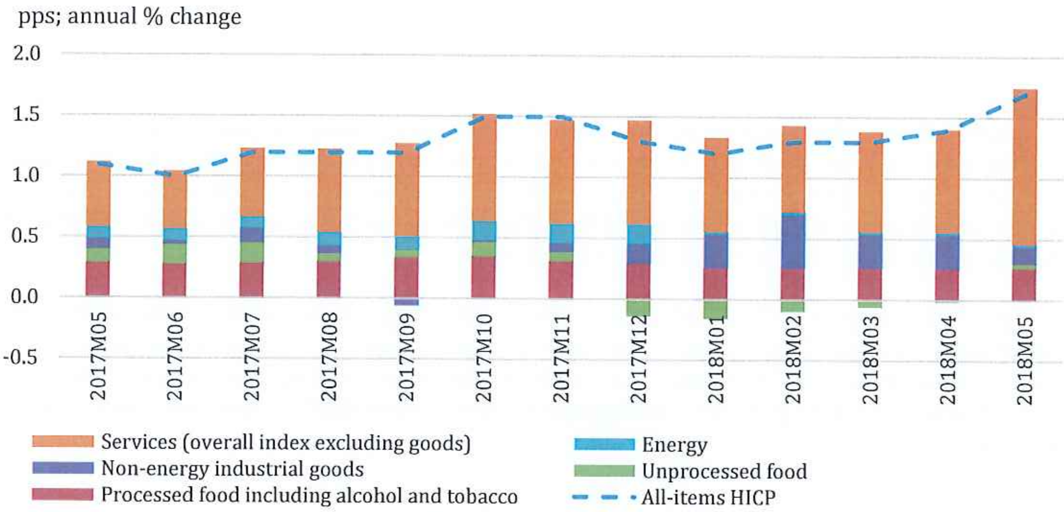

### 2.1.2 Prices

Annual HICP inflation in Malta stood at 1.7 per cent in May of this year from 1.2 per cent in January. During the first five months of this year, HICP inflation in Malta remained below that registered in the European Union where inflation stood at 2.0 per cent in May of this year, 0.3 percentage points higher than the rate registered in Malta.

[1] To note that on 28th June 2018, the Labour Force Survey data for the year 2017 was revised as per the NSO's news release 101 of 2018 following an update to the sample weights in reflection of the revision to the estimate of the household population. Work on backward revisions is still ongoing.

During the first five months of this year, HICP inflation fluctuated within the narrow range of 1.2 per cent and 1.7 per cent, and this is primarily attributed to declining trends in the unprocessed food component. The annual rate of growth of services prices increased steadily from a rate of 1.8 per cent in January to 2.3 per cent in May. Processed food including alcohol and tobacco remained relatively stable over the period under review with an average annual rate of 2.0 per cent. Core HICP inflation stood at 1.9 per cent in May of this year, 0.2 percentage points higher than the overall rate.

**Contributions to Year-on-Year HICP Inflation**




## 2.2 Comparison of macroeconomic projections

This section provides a comparative evaluation of the latest macroeconomic forecasts for 2018 published in the 2018-2021 Medium-Term Fiscal Strategy for Malta: Update of the Stability Programme document (hereinafter referred to as the Spring 2018 forecast) against the forecasts for the same year that underpinned the Budget 2018 projections in October 2017 (hereinafter referred to as the Autumn 2017 forecasts). This assessment aims to explain the main forecast revisions that were undertaken since October 2017. 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 2017. As a result, forecasts were based on actual data for the first half of 2017 with 2017 being a forecast. In contrast, the cut-off date for the revised Spring forecasts of April 2018 was 26th March 2018 thus incorporating data for the whole of 2017 and the forecast period starting from the year 2018.

The headline real and nominal GDP growth rates have changed favourably from the Autumn 2017 forecasting session to the Spring 2018 forecasting session. In Autumn 2017, nominal and real GDP projections for 2018 were 7.6 per cent and 5.6 per cent, respectively, while in Spring 2018, nominal GDP growth was 8.3 per cent and real GDP growth was 6.1 per cent.

## Comparison of macroeconomic projections for 2018

Table 1

| | Percentage change over the previous period | | |
|---|---|---|---|
| | MFIN Autumn 2017 | MFIN Spring 2018 | Difference |
| Private final consumption expenditure | 4.1 | 4.4 | 0.3 |
| General government final consumption expenditure(1) | -4.4 | 4.0 | 8.4 |
| Gross fixed capital formation | 7.8 | 4.2 | -3.6 |
| Exports of goods and services(1) | 3.8 | 4.4 | 0.6 |
| Imports of goods and services | 1.7 | 2.9 | 1.2 |
| Real GDP | 5.6 | 6.1 | 0.5 |
| Domestic Demand Contribution (in pps) | 4.2 | 5.4 | 1.2 |
| External Demand Contribution (in pps) | 1.4 | 0.8 | -0.6 |
| Nominal GDP | 7.6 | 8.3 | 0.7 |
| HICP | 1.5 | 1.6 | 0.1 |
| Employment (Domestic Concept) | 3.8 | 3.8 | 0.0 |
| Unemployment Rate | 4.2 | 3.8 | -0.4 |
| Output Gap | 0.8 | 1.0 | 0.2 |
| Potential Output | 5.6 | 6.0 | 0.4 |

**Notes:**

(1) – Net of IIP proceeds

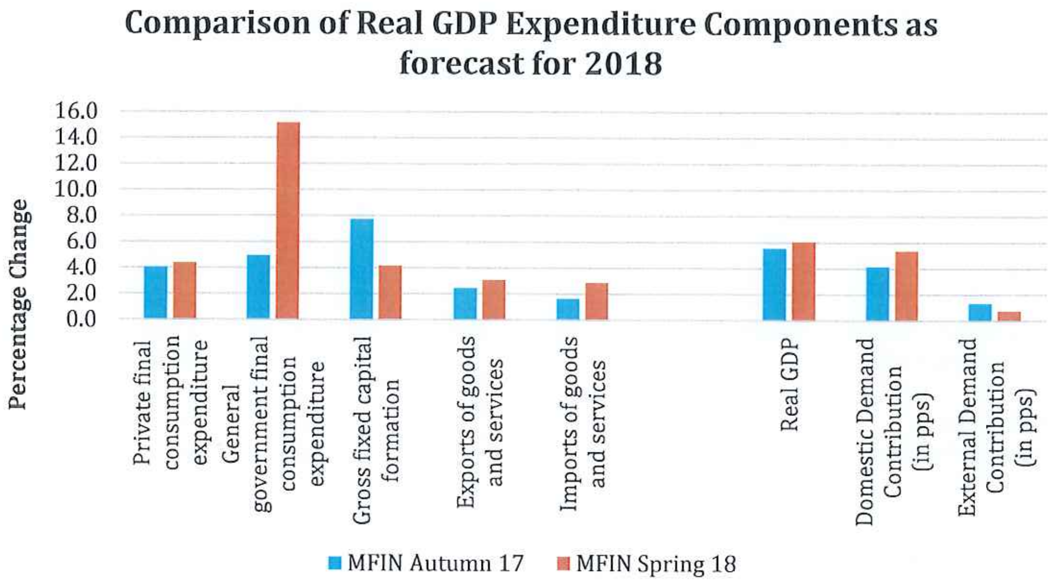
The overall contribution to growth presented by both forecasts remained dominated by domestic demand, which is expected to contribute 5.4 percentage points to 2018 growth (compared to a contribution of 4.2 percentage points forecasted in Autumn 2017). This upward revision came about following stronger prospects for private consumption expenditure as well as revised updates pertaining to public expenditure. The contribution from net exports remained suppressed when compared to that forecasted in Autumn 2017, contributing by 0.8 percentage points which is substantially lower than 1.4 percentage points forecasted last Autumn. This followed a slight moderation of export activity in a number of sectors which materialised over the last two quarters of 2017, particularly in the financial and insurance activities sector and the information and communication sector.

### 2.2.2 Other developments influencing the change in Macroeconomic Forecasts

The revision in economic growth forecasts carried out between Autumn 2017 and Spring 2018 is partly attributable to changes in external assumptions. Whereas in Autumn 2017, growth in Malta's main trading partners was projected to be 1.7 per cent in 2018, encouraging developments in the EU throughout the start of 2018 resulted in an upward revision of 0.4 percentage points in projected growth of Malta's main trading partners in Spring 2018. Moreover, forecasts for Spring 2018 assume a weaker Euro vis-à-vis the British pound in view of the political uncertainty in the UK.

Meanwhile, the upward revision in private consumption expenditure is attributed to stronger labour market conditions while the revision to the growth in Government expenditure is due to revisions in market output. On the other hand, while both exports and imports of goods and services have been revised upwards, the contribution from the external side of the economy has been revised downwards since the upward revision in imports is higher than that of exports of goods and services.

Chart 4 provides a graphical comparison of the differences in the projected components of real GDP for 2018 as estimated by MFIN in the Budget projections and the revised Spring 2018 projections.




## 2.2.3 Private Consumption Expenditure

The revised forecasts presented by MFIN in Spring 2018 projected a stronger rate of growth in private consumption expenditure (+0.3 percentage points), when compared to the Autumn 2017 forecasts. The revision was primarily underpinned by revised outlook for disposable income and wage developments which are expected to outperform Autumn's expectations. These developments are consistent with a stronger labour market outlook in the recent projections.

## 2.2.4 Public Consumption Expenditure

Growth in government final consumption expenditure for 2018 has been revised upwards in the Spring forecast. The increase reflects updated information on public expenditure as well as revisions in the revenue attributed to the Individual Investor Programme which is classified under market output and thus, deducted from final consumption expenditure. The curtailed government expenditure in 2017 instigated a base effect in 2018 which resulted in a higher growth forecast. Meanwhile, the forecasts for compensation of employees and intermediate consumption were left unchanged in both forecast rounds.

### 2.2.5 Gross Fixed Capital Formation

The outlook for GFCF in 2018 has been revised downwards from 7.8 per cent in October 2017 to 4.2 per cent in April 2018. This revision is due to a larger base effect emanating from revisions in national accounts data for 2017 as well as due to a change in the timeline of completion of particular large-scale projects. Nevertheless, the relatively elevated 21.1 per cent investment to GDP ratio recorded at the end of 2017 is expected to withstand.

### 2.2.6 External Balance of Goods and Services

In the Spring forecast, the gap between exports and imports of goods and services narrowed down. Both components have been revised upwards in the forecast round carried out in April 2018 with imports being revised by a higher rate when compared to exports. The growth in exports has been adjusted upwards by 0.6 percentage points. The accounting treatment of part of the proceedings generated from the Individual Investor Programme treated as market output also partly explains the revision in exports of goods and services. On the other hand, the growth in imports has been revised upwards by 1.2 percentage point to 2.9 per cent, consistent with the upward revision in domestic demand conditions which induces its own demand for additional imports.

### 2.2.7 Inflation and Labour Market Developments

The latest Spring forecasts expect inflationary pressures to marginally increase to 1.6 per cent when compared to the annual inflation rate forecasted in Autumn 2017, which stood at 1.5 per cent. Furthermore, employment growth projections remain unchanged while the unemployment rate is expected to reach a rate lower than that forecasted in Autumn 2017 in line with recent trends.

### 2.2.8 Potential Output and the Output Gap

Malta's potential output growth has been revised upwards by 0.4 percentage points in MFIN's Spring forecasts, to reach 6.0 per cent in 2018. This revision is mainly due to a higher labour contribution and a higher capital contribution, the latter albeit to a much lesser extent. The estimate of the output gap was also revised upwards to 1.0 per cent as a result of the revisions in both actual GDP and estimates of GDP growth.

## 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 2017 and Spring of 2018, consistent with the better than expected outturn in 2017 and revised macroeconomic forecasts, revenue projections have been updated accordingly. In particular, the revised macroeconomic forecasts include private final consumption expenditure, tourist expenditure, employment, wages and profits.

For 2018, direct tax revenue projections have been revised upwards to reflect the upward revision in nominal GDP growth forecasts, which were revised upwards from 7.6 per cent to 8.3 per cent to reflect a stronger estimated growth in wages due to stronger than anticipated labour market conditions, as well as more robust developments expected in profits. In addition, revenue from direct taxation was also revised upwards to take into account considerably higher income tax and social security contributions recorded in 2017 of €99.1 million more than what was anticipated in the Autumn 2017 forecast. It is nevertheless worth noting that growth in corporate income tax revenue was marked by a one-off increase of €41 million resulting from new administrative provisions on the operation of the international companies' departmental account at the Central Bank of Malta, as recommended by Eurostat. Following due consideration of these developments, estimated revenue from income tax was revised upwards by €117 million, while social security contributions were revised upwards by €38 million.

The overall growth forecast in the indirect tax base for the Spring forecasts were also revised significantly upwards, mainly to reflect an upward revision in the estimated growth of household consumption and tourism earnings, imports, as well as a more buoyant property market than anticipated in Autumn 2017. On account of these developments, revenue from VAT was revised significantly upwards by €53.3 million. Meanwhile, revenue from licenses, taxes and fines, particularly stemming from streams from duty on documents, were revised upwards by €8 million reflecting the sustained positive performance of the property market. These revisions compare prudently with the outcome in 2017, when taxes on production and imports outperformed the Autumn estimates presented in the Budget by €63.1 million.

Revisions in the macroeconomic forecasts are not assumed to have a significant impact on expenditure projections. However, projected inflationary developments and the resulting 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 2018 were based on the same COLA of €1.75. Hence the revisions in expenditure projections were unrelated to changes in macroeconomic forecasts.

Whilst the Government monitors the macroeconomic situation on an ongoing basis, the Government is still in the process of reviewing its economic outlook with respect to the latest developments. During the first quarter of 2018, the Maltese economy sustained growths of 4.4 per cent in real terms and 6.5 per cent in nominal terms, presenting a more subdued rate of growth than projected in the Spring forecasting.

In terms of macroeconomic indicators, figures for the first quarter of 2018 suggest that consumption growth is less dynamic than forecasted in Spring 2018. Nevertheless, in view of the persistent growth in labour market conditions, which appears to be in line with the end of year projections, a recovery in household consumption by the end of the year is expected. This is also supported by stronger than anticipated tourism activity which is also an important driver of indirect tax revenue. In this context, there is no need for further revisions from the Spring 2018 forecasts as a result of macroeconomic data. Investment activity is also weaker in the first quarter, though this component is not particularly tax rich, and a stronger momentum in the second half of the year is expected as absorption of EU funds intensifies.

The weaker pace of economic expansion portrayed in the first quarter of 2018 had its major effect on the growth in corporate profits which increased by 5.7 per cent (compared to an expected growth of 8.4 per cent) and could potentially affect income tax revenue. Nevertheless, fiscal performance indicators do not consistently point to a shortfall in corporate income tax, also because the effect of lower corporate profitability can take place with a substantial lag. In this context, there is no need for any further revisions in income tax revenue beyond those contemplated in Spring 2018 due to corporate profits. The situation will continue to be monitored over the coming months.

The growth in prices by 1.4 per cent over the 12 months to June 2018 is also broadly consistent with the forecasted 1.6 per cent growth for 2018 and could potentially affect next year's expenditure targets. Regardless of these recent developments, at this juncture a revision in short term growth projections is not warranted.

Revisions in fiscal projections beyond those contemplated in Spring 2018 are consequently not driven by recent developments in macroeconomic indicators but by fiscal performance indicators for the first six months of 2018.

## 4. Corrective Measures

This section includes any adjustments effected so as 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 better than expected macroeconomic condition and fiscal outcomes in 2017, the Government is once again targeting a surplus both in the Consolidated Fund and also in ESA terms. The surplus in the Consolidated Fund has been revised from a deficit of €21.4 million projected in the Budget for 2018 to a surplus of €112.6 million. The general Government budget surplus in ESA terms was revised to €127.5 million. The general Government budget surplus is thus expected to reach 1.1 per cent of GDP compared to the original target surplus of 0.5 per cent of GDP published in the 2018 Budget Estimates.

Table 2 shows the revenue and expenditure performance for the first six months of 2018 as compared to the same period in 2017. The revised position is based on the outturn for 2017, 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 a number of these variances have already been reflected in the Medium Term Fiscal Strategy for Malta: Update of the Stability Programme 2018 - 2021 (MTFS) which was published in April this year and submitted to Parliament in May. Nevertheless, further revisions were deemed necessary primarily as a result of new developments expected to take place in the second half of the year as detailed below.

### 4.1 Revenue

An increase in revenue equivalent to 1.7 per cent of GDP is expected to ensue by the end of 2018, when compared to the original budget. By way of tax revenue, the originally approved amounts under Income Tax, Social Security Contributions, Value Added Tax as well as Licences, Taxes & Fines have been revised upwards by a total €228.5 million, based on the better than anticipated outturn in 2017, revenue performance to-date and in reflection of expected economic activity up to the end of the year. The majority of these changes were incorporated and explained in detail in the MTFS.

There were no significant changes under the Non-Tax Revenue category that affect the targeted fiscal balance.

### 4.2 Recurrent Expenditure

When compared to the original budget, a net increase in recurrent expenditure equivalent to 1.5 per cent of GDP is expected to ensue by the end of 2018.

Disaggregated according to the respective recurrent expenditure categories, the factors contributing to this variance amounted to +€42.0 million under Personal Emoluments, +€8.8 million under Operational and Maintenance, +€80.9 million under Programmes and Initiatives and +€51.9 million under Contribution to Government Entities.

The main driving factors for the upward revision under the Personal Emoluments category stem from higher expenditure in respect of overtime which is expected to approximate 2017 levels as well as allowances emerging from collective agreements, the costs of which were not finalised at budget preparation time. Higher expenditure under the Operational and Maintenance category relates mainly to contractual services particularly in the elderly sector. The revised estimates for Programmes and Initiatives include supplementary funding required for medicines and surgical materials in response to rising demand, amounts due to Church schools in terms of the agreement with Government as result of the collective agreement in the education sector, various initiatives in the education sector including childcare, learning support assistants in private schools and school transportation, increased costs payable to the utility provider in respect of feed-in-tariff as a result of actual demand, pensions and social security benefits in response to the actual number of beneficiaries, payments expected to fall due this year to cater for the elderly in homes, as well as public social partnerships and residential homes in the social sector. Higher outlay is also expected to result under the Contributions to Government Entities category, mainly for mental health services, and to several entities responsible for the sectors covering enterprise, the environment, water services and tourism, including a number of collective agreements in respect of which the costs were not finalised at budget preparation time.

The above-mentioned adjustments are being shown in addition to transfers of funds which may need to be affected 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 €6.5 million lower than originally estimated.

### 4.3 Capital Expenditure

A net decrease in capital expenditure of €107.9 million, equivalent to 0.9 per cent of GDP is expected to ensue by the end of 2018, when compared to the original budget. This variance includes lower expected outlay to cover projects which are to be funded out of the EU 2014 - 2020 funding programme reflecting expected absorption up to year-end. Lower net outlays are also expected in capital expenditure financed from national sources. Nevertheless, at €364.7 million, capital expenditure is expected to exceed the levels of 2017.

### 4.4 General Government Adjustments

The main revisions in the general Government forecasts include an adjustment of €63.5 million by way of equity acquisition in Malta Air Travel Ltd, which has purchased Air Malta's landing slots.

## 5. General Government Revenue and Expenditure Performance

This section provides an analysis on revenue and expenditure performance for the first six months of 2018 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 2018, 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.

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 to lay this Report on the table of the House of Representatives. As a consequence, the reported budgetary performance of general Government for the first half of 2018 should be treated as provisional. Moreover, the analysis provides a comparison against the projections underpinning the 2018 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 January to June 2018, general Government revenue is estimated to have increased by €66.0 million or 3.2 per cent over the comparable period in 2017. This increase is mainly on account of higher tax revenue and property income, which in aggregate have registered an increase of €131.5 million, whereas market output is estimated to have declined by €66.2 million.

Revenue from current taxes on income and wealth is estimated to have increased by €47.4 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 6.7 per cent recorded during the first half of the year is comparatively less buoyant than the growth rate of 9.0 per cent projected in Autumn 2017 for the entire year. It is however noted that in the first half of 2018, 46.2 per cent of the approved estimates for the whole year is estimated to have accrued, whereas in the comparable period last year 44.9 per cent of the yearly proceeds was collected, indicating that the lower growth may be due to seasonal factors, in line with the performance observed last year. In this context, it is also worth noting that as already outlined in Chapter 3 of this Report, revenue from direct taxation was revised upwards in Spring 2018 to take into consideration considerably higher tax revenue recorded in 2017 in excess of what was anticipated in the 2018 Budget forecast.

Revenue from taxes on production and imports is estimated to have recorded an increase of €41.3 million or 6.3 per cent during the first six months of 2018. In the 2018 Budget, the growth in this component of revenue was projected at 5.9 per cent, indicating a stronger than anticipated performance in the first six months of 2018. Moreover, in the first half of 2018, 48.7 per cent of the approved target for the year had been collected, compared to a ratio of 46.3 per cent a year earlier suggesting that the budgetary targets for this item of revenue were prudent. On account of these developments, and in order to take into consideration higher than budgeted tax revenue in 2017, revenue from indirect taxation was revised upwards in Spring 2018 and confirmed in this Report. Of the €693.1 million in revenue collected from taxes on production and imports, €393.6 million relate to Value Added Tax (VAT) proceeds, as revenue from VAT for the January to June 2018 period is estimated to have registered a growth rate of 5.2 per cent, compared to the growth rate of 7.9 per cent projected in Autumn 2017 for the entire year. It is nevertheless worth noting that the marginally lower ratio of VAT revenue accrued to date can be explained by timing issues in the processing of payments received.

During the first two quarters of 2018, revenue from social security contributions is estimated to have increased by 9.0 per cent or €30.2 million, compared to a projected increase of 6.2 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 2017, provided sufficient basis for the revised projections for 2018 for this revenue component. Indeed, revenue projections for social security contributions were revised upwards in Spring 2018 and confirmed in this Report. In the first 6 months, 50.3 per cent of the approved estimated social contributions for the current year have been collected, compared to a ratio of 47.5 per cent a year earlier, suggesting that the budgetary targets remain prudent for this item of revenue.

During the first six months of 2018, general Government expenditure is estimated to have increased by €155.7 million, or 7.8 per cent, compared to the same period of 2017. These developments primarily reflect higher expenditure on social payments, compensation of employees, and expenditure on intermediate consumption, in part offset by lower than planned gross capital formation. In the 2018 Budget projections, general Government expenditure was forecast to register a more subdued growth rate of 5.4 per cent.

A significantly more buoyant increase in social payments is estimated for the first half of 2018 relative to the original budgetary targets. Indeed, this component of expenditure is estimated to have increased by 11.4 per cent during the first half of 2018, compared to a growth rate of 4.4 per cent projected in the 2018 Budget and a growth of 6.1 per cent in the revised projections published last Spring. Developments in social payments recorded during the first six months of 2018 however also reflect seasonal conditions in the timing of payments due, such that a further upward revision does not appear warranted at this stage.

Expenditure on compensation of employees is estimated to have increased by 9.2 per cent during the first half of 2018, persistently more buoyant than the projected increases of 3.7 per cent and 7.6 per cent estimated in Autumn 2017 and Spring 2018, respectively. Indeed, during the first six months, outlays in respect of this item of expenditure amounted to 52.2 per cent of the approved target for the year, compared to a ratio of 49.4 per cent a year earlier.

Similar developments ensued in terms of expenditure on intermediate consumption, which increased by €42 million or 11.8 per cent during the first half of 2018, when compared to the same period in 2017. As a result, intermediate consumption expenditure during the January-June 2018 period amounted to 51.3 per cent of the approved target for the year, compared to a ratio of 47.8 per cent during the same period in 2017.

Meanwhile, the marginal decline in gross capital formation of €4.7 million is mainly underpinned by lower expenditure on projects in part financed from EU funds, as well as less buoyant than planned domestically-financed capital expenditure. As a result, over the first six months of 2018, the Government has spent around 27.8 per cent of the approved investment expenditure for 2018, as compared to 42.5 per cent over the comparable period in 2017.

## 6. Revised General Government Budgetary Targets

The following section provides data on the General Government budgetary targets as proposed in the 2018 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.

The revisions outlined in this chapter are the resulting total of the revisions held in Spring 2018 and the revisions put forward in the Half-Yearly Report 2018.

During the current fiscal year, the general Government balance is expected to remain in surplus, although this is expected to decline from €436.6 million to €127.5 million or 1.1 per cent of GDP. This compares favourably with the target of €54.0 million (or 0.5 per cent of GDP) presented in the approved Budget.

In 2018, revenue is expected to increase by €142.2 million or by 3.2 per cent over the previous year, and amount to €4,636.7 million. The projections for general Government revenue have been revised upwards by €267.5 million, mainly on account of higher anticipated tax proceeds based on the better than anticipated outturn in 2017, revenue performance to-date and in reflection of expected economic activity up to the end of the year. It may be noted that these variances to revenue have largely been carried out in the MTFS which was published in April this year and submitted to Parliament in May.

The upward revision in direct taxation reflects a considerably higher tax revenue, particularly in the case of current taxes on income and wealth, recorded in 2017 in excess of what was anticipated in the 2018 Budget forecast. 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 €118.3

million and in social security contributions by €31.0 million. Around two-thirds of the upward revision in current taxes on income and wealth and in social contributions is explained by the more favourable fiscal outcome in 2017.

Revenue from market output was revised upwards by €77.4 million compared to the Autumn 2017 projections. The upward revision mainly reflects higher than anticipated market output by EBUs.

Meanwhile, revenue from taxes on production and imports was also revised upwards, primarily reflecting the better than anticipated outturn in 2017 as well as the sustained positive performance of the domestic economy, including household consumption, tourism earnings and the property market. As a result, revenue from taxes on production and imports was revised upwards by €66.7 million.

In the revised forecasts, revenue from capital transfers has been revised downwards by €26.3 million, mainly reflecting lower expenditure related to capital projects financed from EU funds, such that this revision has a broadly neutral impact on the budget balance.

General Government expenditure is expected to increase by €451.3 million or 11.1 per cent over the previous year, and to amount to €4,509.2 million. The projections for general Government expenditure have been revised upwards by €194.0 million.

Capital transfers payable are expected to register a growth of €78.8 million in 2018, following an upward revision of €69.1 million, mainly on account of the transfer of Air Malta's landing slots to Malta Air Travel Ltd (MAT Ltd).

Expenditure towards compensation of employees is expected to increase by €109.2 million to €1,380.3 million in 2018. Developments during the first six months warranted an upward revision in this item of expenditure, such that an annual growth of 8.6 per cent in compensation of employees is estimated for 2018. Indeed, an upward revision of €66.1 million in the projections for 2018 was affected, reflecting higher anticipated expenditure in respect of overtime which is expected to approximate 2017 levels, as well as allowances emerging from collective agreements, the costs of which were not finalised at budget preparation time.

Intermediate consumption expenditure is expected to increase by €84.1 million to €827.1 million in 2018. Projections for intermediate consumption have been revised upwards by €53.2 million compared to the original budgetary estimates, reflecting developments during the first half of the year. Indeed, intermediate consumption is now estimated to increase by 11.3 per cent in 2018 in line with an increase of 11.8 per cent reported during the first half of the year. Indeed, higher anticipated expenditure relates mainly to contractual services particularly in the elderly sector, residential homes in the social sector, as well as supplementary funding required for medicines and surgical materials in response to rising demand.

Expenditure on subsidies is expected to increase by €9.1 million in 2018, or 6.4 per cent, to €152.4 million. Developments during the first six months warranted an upward revision of €21.5 million in this item of expenditure, mainly in view of increased costs payable to the utility provider in respect of feed-in-tariff as a result of actual demand.

Other current transfers are expected to increase by €48.3 million in 2018. Estimated transfers in 2018 were revised upwards by €16.7 million to reflect amounts due to Church schools in terms of the agreement with Government as result of the collective agreement in the education sector, and various initiatives in the education sector including learning support assistants in private schools.

Expenditure on social payments is expected to increase by €66.4 million in 2018, or 5.8 per cent, to €1,204.8 million. In view of higher than estimated expenditure in respect of pensions and social security benefits in response to the actual number of beneficiaries, payments expected to fall due this year to cater for the elderly in homes, as well as and the extension of the school transport network, the 2018 Budget projections were revised upwards by €16.6 million.

Meanwhile, the outlined upward revisions in current expenditure are in part offset by expected developments in gross 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 capital formation is expected to increase by €72.2 million in 2018, a downward revision of €39.9 million compared to the approved estimates in Autumn 2017.

## 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 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 2018.

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 2016, as reported to the Accountant General in 2017.

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.

It will be noted that the original targeted amount of €27.89 million as appearing in Appendix I of the 2018 Financial Estimates for the first half of 2018, has in fact been exceeded, reaching €33.67 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 2018, and a comparison of the revised forecasts of debt for the entire year with the 2018 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 2018.

## 8.1 Debt Developments

Debt-to-GDP ratio in 2017 continued on a sustained downwards trajectory, declining by 5.4 percentage points to reach 50.8 per cent of GDP. 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 2018 estimated General Government debt-to-GDP ratio as presented in the 2018 Budget has been revised downwards by 5.0 percentage points, to 45.8 per cent of GDP, during the first six months of 2018. 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 2018 and which is expected to continue throughout 2018.

The contractionary impact of the primary balance on the debt-to-GDP ratio strengthened from 2.2 percentage points in the 2018 estimates to 2.6 percentage points in the 2018 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 2018 Spring estimates. The expansionary impact of the stock-flow adjustment on the debt-to-GDP ratio has also been reduced by 0.2 percentage points in the 2018 revised projections.

The implicit interest rate on debt remained constant at the 3.4 per cent presented in the 2018 Budget estimates. The share of maturing stock in total Government debt as at end of 2018 increased to 7.1per cent from 6.7 per cent estimated in 2018 Budget on account of lower levels of outstanding debt arising from the downward revision of debt issuances from 2018.

## 8.2 Components of General Government Public Debt

The main objective of Government's debt policy is to minimise, over the long term, the costs of meeting the government's financing needs, taking into account risk, such that, funds are raised in a prudent and cost-effective manner. Additionally, it ensures that the financing needs of the Government including its debt service payment obligations are met in a timely manner such that funds are always available to meet any net daily central government cash shortfall. 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 30 June 2018 stood at €5,714.0 million, €141.7 million lower when compared with end June 2017. The outstanding MGS decreased by €468.6 million, while the outstanding Malta Government Retail Savings Bonds[2] balance stood at around €193 million and the T-Bills outstanding balance increased by €148.6 million. Moreover, there was a decrease in outstanding levels of debt held by EBU's/Local Councils of around €13 million as well as a higher level of Euro coins issued in the name of the Treasury, which went up by €8.8 million when compared to the coin stock as at the end of June 2017. The foreign loans balance (92 per cent denominated in euro) as at 30 June 2018 stood at €1.2 million down by €10.4 million over the corresponding period.

The outstanding level of General Government debt as at the end of 2018 has been revised downwards by €365.0 million, when compared to the Budget estimates for 2018, published in October 2017. The revision reflected the surplus reported in the consolidated fund in 2017, and the revised consolidated fund surplus projected for 2018. This will be reflected in lower estimated outstanding levels of MGS and T-Bills in the debt portfolio as at the end of December 2018 when compared to the original estimates published in October 2017. At the time of

[2] The first 62+ Malta Government Savings Bond was issued in September 2017 followed by another tranche issued in October 2017. In June 2018, the Treasury launched another issuance of the 62+ Malta Government Savings Bond.

publication of the financial estimates for 2018 in October 2017, the Ministry was projecting a deficit in the Consolidated Fund of €29 million for 2017 and €21.4 million for 2018. On the other hand, the EBU's and Local Councils outstanding debt has been revised downwards by €11.9 million whilst the Euro coins issued in the name of the Treasury were revised upwards by €8.6 million relative to the amounts originally published in the Financial Estimates.

## 8.3 Main developments in the Euro zone sovereign bond market during H1 2018

The eurozone economy started 2018 on a strong footing, with actual growth overshooting expectations during 2017. However forward-looking economic indicators suggested economic momentum would abate during 2018. Meanwhile, headline inflation remained distant from target at 1.4 per cent at the end of 2017, with core prices rising only 0.9 per cent year-on-year.

As 2018 unfolded, prices were expected to rise at a faster rate due to sustained strength in oil prices. Regarding political risk, despite separatist parties won a relative majority in Spain's Catalonia region, tensions were expected to continue to dissipate and so spreads on the bund to compress further (-4 basis points [bps] during the first week of 2018). Coalition talks in Germany were expected to start on 7 January amidst uncertainty about the attainment of a final agreement. In Italy, parliament was dissolved on 29 December and parliamentary elections were scheduled for 4 March amid concerns about the high probability of a resulting hung parliament. Notwithstanding, 10-year Italian government bond yields and spreads remained stable, around 2 per cent and 159 bps respectively.

The month of January was characterised by a global sell-off in equity and bond markets, including government bonds, with the 10-year German bund yield rising from 0.44 per cent on 31 December to 0.77 per cent on 28 January, despite dovish ECB communication, on expectations of faster monetary policy tightening given strong growth. However, the reaction of peripheral eurozone government bond yields was limited, leading 10-year Italian government bond yield spreads to close January at 137 bps. Sentiment moderately reversed during February, with the benchmark 10-year bund yield falling 7 bps to 0.65 per cent.

During the March meeting the ECB took the first step to tighten policy by removing its pledge to increase asset purchases if needed. On the political front, whereas uncertainty in Germany ended with the formation of a coalition government, the success of Eurosceptic anti-establishment parties in Italy raised some concern - 10-year Italian bond yield spreads widened by 6 bps against equivalent bunds. Meanwhile, the EU was temporarily exempted from US tariffs on steel and aluminium imports until 1st May pending the outcome of negotiations.

At the April meeting the ECB announced that it was monitoring the factors contributing to the slowdown in eurozone growth, which it considers temporary in nature. Regardless of these developments the ECB remained confident that inflation would continue to gradually rise to its target in the medium term. The variety and uncertainty regarding the causes of this growth softening prevented the governing council from discussing further steps to tighten monetary policy. In the meantime, political gridlock persisted in Italy. However, this did not affect much Italian yields and spreads, with the 10-year yield fluctuating in a tight range between 1.75 per cent and 1.82 per cent during April, whilst the equivalent bund saw an increase of 14 bps to 0.56 per cent. Conversely, the 10-year Spanish government bond spread on the bund widened by nearly 5 bps.

Sovereign bond spreads have also exhibited considerable volatility since the second half of May, against the background of political uncertainty in Italy. Spreads of Italian sovereign bonds rose substantially. In the short end Italian sovereign bonds increased from near zero levels to 3 per cent. The *10*-year Italian government bond yields soared from 1.78 per cent on May 2nd to 3.10 per cent on May 29th, pushing the spread over the bund to 289 bps. Some calm was restored when a moderate candidate was proposed for the post of Minister of Economic Affairs & Finance and the 10-year Italian yields retreated to 2.77 per cent. The end of May also marked the end of the Rajoy Government in Spain amid corruption scandals. 10-year Spanish government bond yields rose 33 bps during May, ending the month at 1.60 per cent.

The investiture of a Eurosceptic government in Italy at the beginning of June pushed 10-year Italian yields up 19 bps to 2.65 per cent from the end of May, due to renewed worries of a potential eurozone split, although contagion to other peripheral eurozone signatures was negligible. In mid-June, the ECB announced that asset purchases would be terminated by the end of 2018, with the monthly amount cut from €30bn to €15bn from October to December. Moreover, whilst policy rates were left unchanged, its forward guidance now indicated that rates were expected to remain at present levels at least until the end of summer 2019. Eurozone government bond markets rallied and yields plunged on the news, with Italy's 10-year yield falling 51 bps. Sovereign bond yields rose again due to escalating international trade disputes arising from a growing tendency towards inward-looking economic policies and eurozone tensions ahead of an important summit at the end of the month. The proposed introduction of single-limb collective action clauses also created some concerns in the market having been seen as a measure that would increase fragmentation affecting negatively the liquidity in the market.

Overall, there was further evidence that fundamentals have improved in line with the improving situations in the financial sector which remained relatively stable during the past six-months, even though lately, the euro area's economy may have been seen losing some momentum. Inflationary pressures remained somewhat subdued across the Eurozone.

In most of the first part of the year, the 10-year sovereign bond yields have been trending upwards in the highly rated euro area economies (Germany, France, Netherlands, Finland, Belgium and Ireland) in response to better-than-expected growth outcomes and an expectation of earlier monetary policy normalization, whilst yields actually declined in peripheral economies, most notably in Greece, Portugal and to a lesser extent in Spain and Italy.

Liquidity in the euro area sovereign bond market remained vulnerable and rise in volatility was observed as early as March mainly attributable to political risks. Yet one could also note an increased resilience of the Eurozone markets during the Italian political event which although it affected negatively the Italian sovereign bond market, yet it had only limited spill-over effects into Spain and Portugal, and to some extent also in Germany.

Moreover, during the first six-months, the euro-area sovereign bond markets continued to benefit form still-easy financial conditions underpinned by large asset holdings by the ECB despite lower purchase schedule where net purchases are expected to remain substantial at least through September 2018 relative to the projected net issuance of government debt.

## 8.4 Primary Market

### 8.4.1 Medium to Long Term issuances

During the first semester of 2018, the Treasury launched another issue of the 62+ Malta Government Savings Bond in June. The 62+ Malta Government Savings Bond is financial product specifically targeting a specific segment of retail investors. The year's issuance was open for all individuals born in 1956 or before and had similar conditions to those of last year that is (1) a rate of interest of 3 per cent per annum fixed for five (5) years until the maturity of the bond in 2023, (2) interest payable semi-annually, (3) the bond is not negotiable and cannot be transferred onto another individual, and (4) the early repayment of principal subject to a penalty equivalent to three (3) months interest.

The aim of this budget measure was to offer a non-marketable product that pays an interest rate above that determined by the market to a specific sector of the society who has been hit hard by the low interest rate environment. Most of the individuals in this segment rely on the interest receivable from their savings to supplement their income from pension.

The amount on issue was €65 million, with an over-allotment option of further €35 million. In this issuance, the Treasury raised €93.5 million.

By end of June, the Treasury raised 31.2 per cent of the maximum revised funding requirements for this year which are not expected to exceed €300 million. Borrowing requirements were revised downwards from the published estimated figure of €350 million in the Financial Estimates for 2018. The Treasury is planning to complete the programme for this year by issuing two to three more issuances of Malta Government Stocks in the second half of 2018.

As at 30th June 2018, the Weighted Average Maturity (WAM) of the MGS portfolio which represents 90.4 per cent of the total Central Government Debt Portfolio[3] stood at 9.2 years, down marginally from 9.31 years reported at end of June 2017. The weighted average maturity of the central government debt portfolio as at end of the June 2018 stood at 8.5 years against 8.99 years registered in June 2017.

### 8.4.2 Money Market

In the first six months of this year, the Treasury held 26 T-bills auctions, regularly once every week. The total amount of T-Bills issued amounted to €487 million (nominal) and were mostly allotted in the 91-day tenor (81.3 per cent). This was equivalent to an average of €18.7 million per issuance and worked out to an increase of 91 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 €329 million, while in the first half of 2017 these amounted to €322.2 million.

The 91-day-tenor was issued at weighted average rate of minus 0.361 per cent and below the 3-month Euribor average of minus 0.327 per cent for the first half of 2018.

In the first half of 2018, all T-Bills issuances were allotted at negative interest and the Treasury earned €527,444 in negative interest, an amount higher when compared to the correspondent period of last year (€288,039 mainly on account of higher issuance volumes when compared to the same period of last year).

## 8.5 Local Developments in the Domestic MGS market

During the first half of the year there was no supply of Malta Government Stocks whilst during the same period redemptions amounted to €128.3 million.

Similar to the rest of Euro Area member states, the first half of 2018 was characterised by market volatility mostly induced by political risks and the international trade disputes. These were more pronounced in the second quarter of 2018 where yields were more elevated around the end of May compared to April but not as elevated as they were immediately after the Italian political events.

The month of May was a volatile month for the sovereign debt markets especially for the peripheral countries with 10-yield of Italy, Spain and Portugal increasing by 106 bps, 28 bps and 20 bps respectively within 1 month.

Yields on the ten-year Malta Government Stock during the month of May increased by as much as 17 bps then dropping back by 4 bps by the end of the first half of 2018 mirroring movements in the corresponding euro area yields. Between 3rd January and 6th April, the 10-year MGS yield

[3] MGSs, T-Bills, Foreign Loans, Savings Bonds

declined by 23 bps with the largest decline reported between 20th February and the 6th April where it declined by 34 bps.

In the period under review, the twenty-year (long-term) MGS declined in line with most euro area sovereign bonds. The 20-year MGS yield closed at 2.07 per cent that is 6 bps lower than it stood at the beginning of January 2018. The highest 20-year rate in the 6-months under review was reported on 4th January (2.14 per cent) with the lowest yield reported on 16th and 19th March (1.95 per cent).

## 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 year 2017 saw a further over-achievement of fiscal targets resulting in a surplus of 3.9 per cent of GDP and a structural balance of 3.6 per cent of potential GDP. This indicates that Malta remains well within its Medium Term Budgetary Objective (MTO) of a balanced budget in structural terms. Whilst the International Investor Programme (IIP) partly contributed to this positive outcome, the budget balance net of IIP would still have reached a surplus of 1.4 per cent of GDP, supported by the strong economic momentum. Also notable is the decline in the debt ratio, which in 2017 has declined to almost 50 per cent of GDP. These developments were primarily supported by a strong and sustainable rate of economic growth and growing primary surpluses.

Economic growth projections have been revised upwards and the output gap is expected to be more positive in 2018 than originally forecast. Nevertheless, in the context of buoyant economic growth and a starting position where the MTO was over-achieved already in 2016 (a target originally meant to be achieved in 2019), the fiscal situation transcends the normal fiscal rules of the Stability and Growth Pact (SGP) and the Fiscal Responsibility Act (FRA). Even so, the Maltese Government is committed to ensure compliance with the MTO, net of IIP receipts and expenditure.

Indeed, during the current fiscal year, developments in the revenue and expenditure ratios to GDP are expected to result in a general Government surplus of 1.1 per cent of GDP, or 0.5 per cent of GDP net of IIP revenue and expenditure. This constitutes a 0.6 percentage point improvement in the targeted balance, as compared to a surplus of 0.5 per cent of GDP targeted in the 2018 Budget and is also expected to remain within the MTO of a balanced budget in structural terms. This target can be achieved even in the absence of the IIP, in line with the commitment as presented in the Medium Term Fiscal Strategy. It is also worth noting that the 2018 general Government balance includes an allowance of 0.5 per cent of GDP primarily for the capitalization of Malta Air Travel Ltd (MAT Ltd), whilst the 2017 balance includes the positive fiscal impact of a 0.4 per cent of GDP one-time administrative measure affecting revenue from corporate tax.

Further improvements in the underlying debt dynamics are expected to be attained against the background of a sustained primary surplus, positive growth prospects, investor confidence, and an efficient and effective debt management system. In this respect, the debt-to-GDP ratio is expected to remain below the 60 per cent threshold, and decline further to 45.8 per cent of GDP in 2018.

## 10. Statistical Annex

## Main Macroeconomic Indicators

Table 1

| | 2015[1] | 2016[1] | 2017[1] | 2018[af] | 2018[sf] |
|---|---|---|---|---|---|
| **GDP growth at current Market Prices (%)** | **12.6** | **6.9** | **9.1** | **7.6** | **8.3** |
| **GDP growth at chain-linked volumes by period (reference year 2010)** | **9.6** | **5.2** | **6.4** | **5.6** | **6.1** |
| **Expenditure Components of GDP chain-linked volumes by period (reference year 2010)** | | | | | |
| Private Final Consumption Expenditure[2] | 5.1 | 2.8 | 3.9 | 4.1 | 4.4 |
| General Government Final Consumption Expenditure[3] | 6.0 | 4.2 | 5.1 | -4.4 | 4.0 |
| Gross Fixed Capital Formation | 56.8 | 1.7 | -7.6 | 7.8 | 4.2 |
| Exports of Goods and Services[3] | 3.3 | 3.6 | 3.6 | 3.8 | 4.4 |
| Imports of Goods and Services | 7.1 | 1.5 | -0.9 | 1.7 | 2.9 |
| **Contribution to GDP growth:** | | | | | |
| Domestic Demand | 13.1 | 1.3 | -0.2 | 4.2 | 5.4 |
| Inventories | 0.9 | -0.3 | -0.5 | 0.0 | 0.0 |
| Net Exports | -4.4 | 4.3 | 7.1 | 1.4 | 0.8 |
| **Inflation rate (%)** | **1.2** | **0.9** | **1.3** | **1.5** | **1.6** |
| **Employment growth (%)[4]** | **3.9** | **4.2** | **5.0** | **3.8** | **3.8** |
| **Unemployment rate (%)** | **5.4** | **4.7** | **4.6** | **4.2** | **3.8** |
| **Potential GDP growth** | **6.8** | **6.9** | **6.3** | **5.6** | **6.0** |
| **Output Gap** | **2.0** | **0.7** | **1.0** | **0.8** | **1.0** |

**Notes:**

af - Autumn (Budget) Forecasts

sf - Spring (Revised) Forecasts

[1] Actual data Source: NSO News Release No. 089/2018 - GDP Release 2018/Q1

[2] Includes NPISH final consumption expenditure

[3] Net of IIP Proceeds

[4] LFS resident population concept definition

## Central Government Finances - Consolidated Fund

Table 2

| | Jan - Dec 2017 Actual € 000 | Jan - Dec 2018 Approved Estimates € 000 | Jan - Jun 2017 Actual € 000 | Jan - Jun 2017 Actual as a % of 2017 | Jan - Jun 2018 Actual € 000 | Jan - Jun 2018 Actual as a % of 2018 |
|---|---|---|---|---|---|---|
| **Revenue** | **4,291,165** | **4,350,050** | **1,828,413** | *42.6* | **1,898,322** | *43.6* |
| **Tax Revenue** | **3,829,267** | **3,965,935** | **1,582,255** | *41.3* | **1,741,880** | *43.9* |
| *Indirect Tax Revenue* | *1,456,724* | *1,481,935* | *666,638* | *45.8* | *723,930* | *48.9* |
| Customs and Excise Duties | 303,086 | 317,000 | 139,283 | *46.0* | 146,211 | *46.1* |
| Licenses, Taxes, and Fines | 332,478 | 329,435 | 164,799 | *49.6* | 186,479 | *56.6* |
| Value Added Tax | 821,160 | 835,500 | 362,556 | *44.2* | 391,240 | *46.8* |
| *Direct Tax Revenue* | *2,372,543* | *2,484,000* | *915,617* | *38.6* | *1,017,950* | *41.0* |
| Income Tax | 1,497,489 | 1,564,000 | 535,891 | *35.8* | 594,301 | *38.0* |
| Social Security | 875,054 | 920,000 | 379,726 | *43.4* | 423,649 | *46.0* |
| **Non-Tax Revenue** | **461,898** | **384,115** | **246,158** | *53.3* | **156,442** | *40.7* |
| Fees of Office | 112,605 | 63,333 | 47,846 | *42.5* | 36,623 | *57.8* |
| Reimbursements | 45,465 | 34,399 | 16,527 | *36.4* | 19,000 | *55.2* |
| Public Corporations | 0 | 0 | 0 | *0.0* | 0 | *0.0* |
| Central Bank of Malta | 50,000 | 50,000 | 36,000 | *72.0* | 28,000 | *56.0* |
| Rents | 31,312 | 32,190 | 18,400 | *58.8* | 13,147 | *40.8* |
| Dividends on Investments / Receipts | 41,387 | 43,800 | 17,125 | *41.4* | 20,583 | *47.0* |
| Interests on Loans made by Government | 65 | 276 | 33 | *50.8* | 31 | *11.2* |
| Grants | 139,246 | 127,652 | 94,072 | *67.6* | 27,201 | *21.3* |
| Miscellaneous | 41,818 | 32,465 | 16,155 | *38.6* | 11,857 | *36.5* |
| **Total Expenditure[1]** | **4,108,492** | **4,371,450** | **1,920,457** | *46.7* | **2,040,432** | *46.7* |
| **Recurrent Expenditure** | **3,543,266** | **3,686,744** | **1,674,179** | *47.2* | **1,796,600** | *48.7* |
| Personal Emoluments | 828,002 | 849,101 | 376,923 | *45.5* | 407,039 | *47.9* |
| Operations and Maintenance | 189,008 | 194,571 | 88,498 | *46.8* | 91,421 | *47.0* |
| Programmes and Initiatives | 2,147,142 | 2,230,037 | 1,031,374 | *48.0* | 1,096,378 | *49.2* |
| Contributions to Government Entities | 379,114 | 413,035 | 177,384 | *46.8* | 201,762 | *48.8* |
| **Interest Payments** | **215,051** | **212,117** | **106,204** | *49.4* | **101,166** | *47.7* |
| **Capital Expenditure** | **350,175** | **472,589** | **140,074** | *40.0* | **142,666** | *30.2* |
| Foreign Funds | 77,616 | 127,652 | 26,424 | *34.0* | 21,998 | *17.2* |
| National Funds (incl Co Financing) | 272,559 | 344,937 | 113,650 | *41.7* | 120,668 | *35.0* |
| **Consolidated Fund Balance** | **182,673** | **-21,400** | **-92,044** | | **-142,110** | |

**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 2017 *Actual* *€ 000* | Jan-June 2018 *Actual* *€ 000* |
|---|---|---|
| **Consolidated Fund[(2)]** | **-92,025** | **-141,909** |
| 1. **Total Revenue** | **1,736,845** | **1,801,406** |
| Taxes, of which: | 1,195,324 | 1,313,817 |
| Current Taxes on Income, Wealth, etc | 565,293 | 624,842 |
| Taxes on Production and Imports, of which: | 630,031 | 688,975 |
| VAT | 362,556 | 391,240 |
| Social Contributions | 317,356 | 349,519 |
| Market Output | 68,207 | 45,317 |
| Current Transfers | 7,726 | 6,748 |
| Capital Transfers | 97,775 | 33,778 |
| Property Income | 50,458 | 52,226 |
| 2. **Total Expenditure** | **1,828,871** | **1,943,315** |
| Intermediate Consumption | 203,252 | 212,689 |
| Compensation of employees | 445,729 | 479,655 |
| Interest | 102,884 | 103,501 |
| Subsidies | 35,220 | 36,569 |
| Social Benefits | 561,583 | 583,170 |
| Current Transfers | 412,821 | 461,138 |
| Capital Transfers Payable | 6,159 | 3,423 |
| Capital Investment | 61,223 | 63,169 |

**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 2017 *Actual* *€ 000* | Jan - Dec 2018 *Approved Estimate* *€ 000* | Jan - Jun 2017 *Actual* *€ 000* | Jan - Jun 2017 *Actual as a % of 2017* | Jan - Jun 2018 *Actual* *€ 000* | Jan - Jun 2018 *Actual as a % of 2018* |
|---|---|---|---|---|---|---|---|
| **Recurrent Expenditure** | | | | | | | |
| 1 | Office of the President | 6,402 | 5,094 | 2,520 | 39.4 | 2,790 | 54.8 |
| 2 | House of Representatives | 5,420 | 10,103 | 1,926 | 35.5 | 2,669 | 26.4 |
| 3 | Office of the Ombudsman | 1,200 | 1,150 | 600 | 50.0 | 800 | 69.6 |
| 4 | National Audit Office | 3,150 | 3,400 | 1,838 | 58.3 | 1,995 | 58.7 |
| 5 | Office of the Prime Minister | 36,238 | 41,324 | 16,022 | 44.2 | 16,525 | 40.0 |
| 6 | Information | 1,055 | 1,284 | 463 | 43.9 | 515 | 40.1 |
| 7 | Government Printing Press | 1,353 | 1,412 | 663 | 49.0 | 722 | 51.1 |
| 8 | Electoral Office | 7,915 | 3,577 | 2,251 | 28.4 | 1,057 | 29.5 |
| 9 | Public Service Commission | 592 | 677 | 273 | 46.1 | 297 | 43.9 |
| 10 | Ministry for Health | 547,805 | 575,480 | 252,043 | 46.0 | 281,599 | 48.9 |
| 11 | Ministry for the Economy, Investment and Small Businesses | 17,910 | 19,028 | 9,537 | 53.2 | 9,196 | 48.3 |
| 12 | Commerce | 1,664 | 1,923 | 775 | 46.6 | 696 | 36.2 |
| 13 | Ministry for Education and Employment | 273,143 | 284,525 | 120,893 | 44.3 | 146,143 | 51.4 |
| 14 | Education | 232,976 | 237,285 | 110,621 | 47.5 | 123,134 | 51.9 |
| 15 | Ministry for Energy and Water Management | | 77,536 | | | 52,423 | 67.6 |
| 16 | Ministry for European Affairs and Equality | | | | | | |
| | [Implementation of the Electoral Manifesto] | 43,689 | 19,642 | 24,525 | 56.1 | 9,093 | 46.3 |
| 17 | Industrial and Employment Relations | 1,511 | 1,568 | 768 | 50.8 | 654 | 41.7 |
| 18 | Ministry for Finance | 145,459 | 151,942 | 72,009 | 49.5 | 63,467 | 41.8 |
| 19 | Economic Policy | 1,482 | 1,457 | 634 | 42.8 | 797 | 54.7 |
| 20 | Treasury | 9,351 | 9,083 | 4,318 | 46.2 | 4,433 | 48.8 |
| 22 | Inland Revenue | 8,549 | 8,604 | 3,961 | 46.3 | 4,351 | 50.6 |
| 23 | V.A.T. | 8,625 | 7,325 | 3,361 | 39.0 | 4,280 | 58.4 |
| 24 | Customs | 10,402 | 11,990 | 4,892 | 47.0 | 5,153 | 43.0 |
| 25 | Contracts | 1,431 | 1,591 | 651 | 45.5 | 756 | 47.5 |
| 26 | Ministry for Tourism | 76,278 | 94,596 | 32,835 | 43.0 | 44,420 | 47.0 |
| 27 | Ministry for Home Affairs and National Security | 13,801 | 13,716 | 6,732 | 48.8 | 6,998 | 51.0 |
| 28 | Armed Forces of Malta | 50,180 | 51,628 | 21,639 | 43.1 | 22,697 | 44.0 |
| 29 | Police | 60,345 | 61,375 | 28,393 | 47.1 | 29,644 | 48.3 |
| 30 | Correctional Services | 12,181 | 12,387 | 5,379 | 44.2 | 6,253 | 50.5 |
| 31 | Probation and Parole | 1,127 | 1,165 | 513 | 45.5 | 473 | 40.6 |
| 32 | Civil Protection | 5,675 | 6,186 | 2,565 | 45.2 | 2,545 | 41.1 |
| 33 | Ministry for Justice, Culture and Local Government | 42,788 | 65,193 | 20,954 | 49.0 | 28,113 | 43.1 |
| 34 | Judicial | 15,638 | 15,404 | 7,068 | 45.2 | 8,527 | 55.4 |
| 35 | Local Government | 42,648 | 43,769 | 20,300 | 47.6 | 21,377 | 48.8 |
| 36 | Ministry for the Environment, Sustainable Development and Climate Change | 67,557 | 96,651 | 29,143 | 43.1 | 35,582 | 36.8 |
| 37 | Ministry for Foreign Affairs and Trade Promotion | 28,609 | 33,573 | 11,397 | 39.8 | 12,617 | 37.6 |
| 38 | Ministry for Transport and Infrastructure | 94,367 | 86,123 | 46,779 | 49.6 | 39,622 | 46.0 |
| 39 | Ministry for Gozo | 32,141 | 33,211 | 14,640 | 45.5 | 16,958 | 51.1 |
| 40 | Ministry for the Family, Children's Rights and Social Solidarity | 67,825 | 80,151 | 40,694 | 60.0 | 41,868 | 52.2 |
| 41 | Social Policy | 295,554 | 314,905 | 119,078 | 40.3 | 134,166 | 42.6 |
| 42 | Social Security Benefits | 936,882 | 982,250 | 479,796 | 51.2 | 497,023 | 50.6 |
| 43 | Pensions | 107,707 | 106,140 | 52,888 | 49.1 | 56,027 | 52.8 |
| 44 | Social Welfare Standards | 1,164 | 1,202 | 535 | 46.0 | 602 | 50.1 |
| 45 | Elderly and Community Care | 112,066 | 110,119 | 52,174 | 46.6 | 57,543 | 52.3 |
| | [Energy and Projects | 79,610 | | 29,461 | 37.0 | | |
| | [Ministry for Social Dialogue, Consumer Affairs and Civil Liberties | 13,500 | | 6,491 | 48.1 | | |
| | [Ministry for Competitiveness and Digital, Maritime and Services Economy | 18,301 | | 9,181 | 50.2 | | |
| | **TOTAL RECURRENT EXPENDITURE** | **3,543,266** | **3,686,744** | **1,674,179** | **47.2** | **1,796,600** | **48.7** |
| 25 | Public Debt Servicing | | | | | | |
| | Contribution to Sinking Fund - Local | 3,261 | 1,631 | 1,630 | 50.0 | 1,631 | 100.0 |
| | Contribution to Special MGS Sinking Fund | 50,000 | 50,000 | 15,000 | 30.0 | 15,000 | 30.0 |
| | Interest - Local | 214,206 | 211,754 | 105,494 | 49.2 | 100,808 | 47.6 |
| | Repayment of Loan - Local | 372,932 | 391,694 | --- | --- | 128,987 | 32.9 |
| | Early Repayment of MGRSB | | 3,500 | | | --- | --- |
| | Contribution to Sinking Fund - Foreign | 1,663 | 57 | 832 | 50.0 | 29 | 50.9 |
| | Interest - Foreign | 846 | 363 | 710 | 83.9 | 358 | 98.6 |
| | **TOTAL PUBLIC DEBT SERVICING** | **642,908** | **658,999** | **123,666** | **19.2** | **246,813** | **37.5** |
| | **TOTAL RECURRENT EXPENDITURE AND PUBLIC DEBT SERVICING** | **4,186,174** | **4,345,743** | **1,797,845** | **42.9** | **2,043,413** | **47.0** |

## Central Government Finances by Expenditure Vote (Consolidated Fund)

Table 4

| | | Jan - Dec 2017 *Actual* € 000 | Jan - Dec 2018 *Approved Estimate* € 000 | Jan - Jun 2017 *Actual* € 000 | Jan - Jun 2017 *Actual as a % of 2017* | Jan - Jun 2018 *Actual* € 000 | Jan - Jun 2018 *Actual as a % of 2018* |
|---|---|---|---|---|---|---|---|
| **Capital Expenditure** | | | | | | | |
| I | Office of the President | 175 | 172 | 257 | 146.9 | 257 | 149.4 |
| II | House of Representatives | | 254 | 101 | | 101 | 39.8 |
| III | Office of the Prime Minister | 11,968 | 21,394 | 7,498 | 62.7 | 7,498 | 35.0 |
| IV | Ministry for European Affairs and Implementation of the Electoral Manifesto | 35,085 | 38,038 | 5,816 | 16.6 | 5,816 | 15.3 |
| V | Ministry for Foreign Affairs | 1,460 | 1,366 | 425 | 29.1 | 425 | 31.1 |
| VI | Ministry for Education and Employment | 35,136 | 42,297 | 21,891 | 62.3 | 21,891 | 51.8 |
| VII | Ministry for Transport and Infrastructure | 49,382 | 58,360 | 27,501 | 55.7 | 27,501 | 47.1 |
| VIII | Ministry for Gozo | 6,020 | 9,241 | 1,923 | 31.9 | 1,923 | 20.8 |
| IX | Ministry for Social Dialogue, Consumer Affairs and Civil Liberties | 802 | 2,637 | 989 | 123.3 | 989 | 37.5 |
| X | Ministry for the Economy, Investment and Small Business | 38,406 | 25,384 | 13,637 | 35.5 | 13,637 | 53.7 |
| XI | Ministry for Finance | 25,792 | 32,946 | 22,119 | 85.8 | 22,119 | 67.1 |
| XII | Ministry for the Family and Social Solidarity | 4,535 | 6,575 | 2,285 | 50.4 | 2,285 | 34.8 |
| XIII | Ministry for Justice, Culture and Local Government | 7,392 | 20,920 | 3,591 | 48.6 | 3,591 | 17.2 |
| XIV | Ministry for Tourism | 16,700 | 6,705 | 2,806 | 16.8 | 2,806 | 41.8 |
| XV | Ministry for Home Affairs and National Security | 23,762 | 17,756 | 6,564 | 27.6 | 6,564 | 37.0 |
| XVI | Ministry for Sustainable Development, the Environment and Climate Change | 35,881 | 44,607 | 9,681 | 27.0 | 9,681 | 21.7 |
| XVII | Ministry for Competitiveness and Digital, Maritime and Services Economy | | 15,132 | 8,419 | | 8,419 | 55.6 |
| XVIII | Ministry for Health | | 18,143 | 4,553 | | 4,553 | 25.1 |
| | [Ministry for Energy and Health | 17,804 | | | --- | | |
| | **TOTAL CAPITAL EXPENDITURE** | **310,300** | **361,927** | **140,056** | **45.1** | **140,056** | **38.7** |
| XI | Ministry for Finance<br>Investment - Equity Acquisition | 12,993 | 32,600 | 2,101 | 16.2 | 2,101 | 6.4 |
| | **TOTAL CAPITAL EXPENDITURE AND INVESTMENT** | **323,293** | **394,527** | **142,157** | **44.0** | **142,157** | **36.0** |
| | **TOTAL EXPENDITURE** | **4,509,467** | **4,740,270** | **1,940,002** | **43.0** | **2,185,570** | **46.1** |

## 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 2018 *€ 000* | Actual Jan-Jun 2018 *€ 000* | Approved Estimate 2018 *€ 000* | Actual Jan-Jun 2018 *€ 000* | Approved Estimate 2018 *€ 000* | Actual Jan-Jun 2018 *€ 000* | Approved Estimate 2018 *€ 000* | Actual Jan-Jun 2018 *€ 000* |
| **General Public Services** | 101,131 | 45,277 | 41,927 | 16,708 | 213,937 | 91,835 | 22,589 | 8,868 |
| **Defense** | 43,153 | 20,280 | 8,047 | 2,261 | 915 | 287 | 400 | 134 |
| **Public Order and Safety** | 93,521 | 45,519 | 12,079 | 5,545 | 4,582 | 2,891 | 8,492 | 4,573 |
| **Economic Affairs** | 60,715 | 33,318 | 11,289 | 4,911 | 155,087 | 76,455 | 110,122 | 59,037 |
| **Environmental Protection** | 5,073 | -1,696 | 457 | 160 | 40,481 | 12,413 | 28,900 | 15,647 |
| **Housing and Community Affairs** | 1,863 | 661 | 345 | 151 | 5,790 | 4,757 | 9,127 | 3,067 |
| **Health** | 261,870 | 123,496 | 66,706 | 28,003 | 198,676 | 103,631 | 50,990 | 27,242 |
| **Recreation, culture and religion** | 7,483 | 3,367 | 2,013 | 721 | 14,241 | 3,435 | 29,027 | 11,619 |
| **Education** | 220,039 | 110,549 | 21,885 | 14,933 | 128,692 | 75,649 | 120,359 | 53,661 |
| **Social Protection** | 54,254 | 26,268 | 29,822 | 18,029 | 1,471,966 | 725,025 | 33,199 | 17,913 |
| **Total** | **849,101** | **407,039** | **194,571** | **91,421** | **2,234,367** | **1,096,378** | **413,205** | **201,762** |

| | Interest Expenditure | | Capital Expenditure | | Total expenditure | |
|---|---|---|---|---|---|---|
| | Approved Estimate 2018 *€ 000* | Actual Jan-Jun 2018 *€ 000* | Approved Estimate 2018 *€ 000* | Actual Jan-Jun 2018 *€ 000* | Approved Estimate 2018 *€ 000* | Actual Jan-Jun 2018 *€ 000* |
| **General Public Services** | 215,617 | 100,972 | 99,071 | 21,427 | **694,272** | **285,087** |
| **Defense** | 0 | 0 | 7,750 | 201 | **60,265** | **23,162** |
| **Public Order and Safety** | 0 | 0 | 36,734 | 8,587 | **155,408** | **67,116** |
| **Economic Affairs** | 0 | 0 | 205,751 | 79,678 | **542,965** | **253,398** |
| **Environmental Protection** | 0 | 0 | 28,825 | 6,909 | **103,736** | **33,432** |
| **Housing and Community Affairs** | 0 | 0 | 1,780 | 211 | **18,905** | **8,847** |
| **Health** | 0 | 0 | 31,628 | 7,341 | **609,870** | **289,714** |
| **Recreation, culture and religion** | 0 | 0 | 26,496 | 7,451 | **79,260** | **26,593** |
| **Education** | 0 | 0 | 30,169 | 8,474 | **521,144** | **263,266** |
| **Social Protection** | 0 | 0 | 6,985 | 2,388 | **1,596,226** | **789,623** |
| **Total** | **215,617** | **100,972** | **475,189** | **142,666** | **4,382,050** | **2,040,238** |

**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

| | 2017 Jan - Jun *€ 000* | 2018 Jan - Jun *€ 000* | |
|---|---|---|---|
| **Consolidated Fund Surplus / Deficit** | **-92,025** | **-141,909** | 1 |
| Adjustments to the Consolidated Fund: | | | |
| Loan Repayment | 0 | 0 | |
| Equities, acquisitions (+) | 0 | 0 | 2 |
| Equities, sales (-) | 0 | 0 | |
| Other financial transactions | -9,499 | 0 | 3 |
| Difference between interest paid (+) and interest accrued (-) | -3,220 | 4,912 | 4 |
| Other accounts receivable (+) and payable (-) | -59,583 | -46,696 | 5 |
| Time-adjusted cash transactions | 158,890 | 130,312 | 6 |
| Treasury Clearance Fund flows in non-financial transactions | 32,268 | 33,018 | |
| Sinking Fund interests' received | 1,636 | 821 | |
| Quarterly adjustments | -49,756 | -29,260 | 7 |
| EFSF re-routing | -64 | -28 | 8 |
| Equity injection | 0 | 0 | 9 |
| Debt assumption | 0 | 0 | |
| Other adjustments | 0 | -57,534 | |
| Net Borrowing (-) / Net Lending (+) of Extra Budgetary Units | 81,164 | 72,600 | 10 |
| Net Lending (+) / Net Borrowing (-) of Local Government | 3,051 | 6,854 | 11 |
| **Net Lending (+) / Net Borrowing (-) of General Government** | **62,862** | **-26,909** | |

**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 2018Q2 was partly estimated and is to be considered as provisional*

Table 6b

| | ESA Code | 2017 Actual € 000 | 2018 Budget Forecast € 000 | Jan-Jun 2017 Actual € 000 | Jan-Jun 2018 Provisional € 000 | 2018 Revised Forecast € 000 |
|---|---|---|---|---|---|---|
| **Net lending (+)/net borrowing (-)** | | | | | | |
| **1. General Government** | S.13 | **436,641** | **54,000** | **62,862** | **-26,909** | **127,502** |
| 2. Central Government | S.1311 | 432,042 | 55,214 | 59,811 | -33,763 | 128,715 |
| 3. State Government | S.1312 | - | - | - | - | - |
| 4. Local Government | S.1313 | 4,599 | -1,214 | 3,051 | 6,854 | -1,213 |
| 5. Social Security funds | S.1314 | - | - | - | - | - |
| **For the General Government** | | | | | | |
| **6. Total Revenue** | TR | **4,494,075** | **4,369,264** | **2,053,540** | **2,119,490** | **4,636,716** |
| Of which | | | | | | |
| Taxes on Production and Imports | D.2 | 1,408,079 | 1,424,147 | 651,812 | 693,125 | 1,490,802 |
| Current Taxes on Income, Wealth, etc. | D.5 | 1,569,843 | 1,626,355 | 704,489 | 751,855 | 1,744,655 |
| Capital Taxes | D.91 | 19,314 | 20,487 | 10,236 | 10,819 | 22,919 |
| Social Contributions | D.61 | 702,909 | 723,790 | 334,154 | 364,340 | 754,790 |
| Property Income | D.4 | 85,228 | 105,030 | 46,215 | 58,802 | 103,369 |
| Other [(a)] | | 708,702 | 469,455 | 306,634 | 240,548 | 520,182 |
| **7. Total Expenditure** | TE | **4,057,434** | **4,315,264** | **1,990,677** | **2,146,399** | **4,509,214** |
| Of which | | | | | | |
| Compensation of employees | D.1 | 1,271,084 | 1,314,257 | 627,613 | 685,502 | 1,380,310 |
| Intermediate Consumption | P.2 | 742,974 | 773,895 | 355,309 | 397,320 | 827,119 |
| Social Payments | D.6 | 1,138,392 | 1,188,196 | 562,121 | 626,007 | 1,204,753 |
| Interest Expenditure | D.41 | 206,694 | 199,640 | 102,499 | 95,918 | 191,123 |
| Subsidies | D.3 | 143,222 | 130,827 | 64,964 | 58,802 | 152,356 |
| Gross Fixed Capital Formation | P.51 | 248,940 | 360,953 | 108,884 | 102,398 | 324,566 |
| Capital Transfers | D.9 | 103,469 | 113,130 | 64,174 | 9,454 | 182,259 |
| Other [(b)] | | 202,658 | 234,365 | 105,113 | 170,998 | 246,728 |
| **8. Gross Debt [(c)]** | | **5,642,641** | **0** | **5,855,698** | **0** | **5,509,907** |

**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 | 2017 % GDP | 2018[af] % GDP | 2018[sf] % GDP |
|---|---|---|---|---|
| **Net lending (+)/Net borrowing (-) by sub-sector** | | | | |
| 1. General Government | S.13 | 3.9 | 0.5 | 1.1 |
| 2. Central Government | S.1311 | 3.9 | 0.5 | 1.1 |
| 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 | 40.5 | 37.8 | 38.7 |
| 7. Total Expenditure | TE | 36.5 | 37.3 | 37.6 |
| 8. Interest Expenditure | D.41 | 1.9 | 1.7 | 1.6 |
| 9. Primary Balance [a] | | 5.8 | 2.2 | 2.7 |
| 10. One-off and other temporary measures [b] | | -0.2 | 0.1 | 0.1 |
| 11. Real GDP growth (%) | | 6.4 | 5.6 | 6.1 |
| 12. Potential GDP growth (%) | | 6.3 | 5.6 | 6.0 |
| 13. Output Gap (%) | | 1.0 | 0.8 | 1.0 |
| 14. Cyclical Budgetary Component | | 0.5 | 0.4 | 0.5 |
| 15. Cyclically-Adjusted Balance (1 - 14) | | 3.5 | 0.1 | 0.6 |
| 16. Cyclically-Adjusted Primary Balance (15 + 8) | | 5.3 | 1.8 | 2.2 |
| 17. Structural Balance (15 - 10) | | 3.6 | 0.0 | 0.6 |

**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 2017Q4 € | Outstanding Creditors 2018Q2 € |
|---|---|---|---|
| 1 | Office of the President | 21,549 | 7,826 |
| 2 | House of Representatives | 68,789 | 53,696 [2] |
| 5 | Office of the Prime Minister | 59,676 | 80,054 [2] |
| | Government Property Division | 44,945,202 | 44,945,202 [3] |
| 6 | Information | 3,738 | 2,220 |
| 7 | Government Printing Press | 0 | 0 |
| 8 | Electoral Office | 6,780 | 0 [2] |
| 9 | Public Service Commission | 20,468 | 0 |
| 10 | Ministry for Health | 265,704 | 1,120,388 |
| | Mater Dei Hospital | 14,294,881 | 15,866,973 [4] |
| | Government Pharmaceutical Services | 25,095,839 | 23,761,228 [2] |
| | Sir Anthony Mamo Oncology Centre | 1,100,418 | 1,524,041 [2] |
| | Primary Health Care | 86,509 | 757,345 [2] |
| 11 | Ministry for the Economy, Investment and Small Business | 414,172 | 131,031 |
| 12 | Commerce | 166,689 | 143,070 |
| 13 | Ministry for Education and Employment | 416,391 | 1,258,680 [2] |
| 14 | Education | 84,192 | 532,988 [2] |
| 15 | Ministry for Energy and Water Management | 5,055,358 | 2,032,492 [2] |
| 16 | Ministry for European Affairs and Equality | 63,468 | 508,578 [2] |
| 17 | Industrial and Employment Relations | 0 | 0 [2] |
| 18 | Ministry for Finance | 289,928 | 103,337 [2] |
| 19 | Economic Policy | 118,890 | 331 [2] |
| 20 | Treasury | 11,267 | 1,305,067 |
| 22 | Inland Revenue | 251,631 | 63,318 [2] |
| 23 | VAT | 393,268 | 68,243 [4] |
| 24 | Customs | 52,704 | 163,029 |
| 25 | Contracts | 0 | 9,114 |
| 26 | Ministry for Tourism | 535,192 | 36,697 |
| | Institute of Tourism Studies | 167,637 | 53,808 [2] |
| 27 | Ministry for Home Affairs and National Security | 833,816 | 55,540 [2] |
| 28 | Armed Forces of Malta | 474,490 | 702,573 [4] |
| 29 | Police | 136,293 | 43,562 [2] |
| 30 | Correctional Services | 42,589 | 141,320 [2] |
| 31 | Probation and Parole | 0 | 4,441 |
| 32 | Civil Protection | 113,592 | 0 [2] |
| 33 | Ministry for Justice, Culture and Local Government | 999,254 | 2,431,798 [2] |
| | Notary to Government | 6,957 | 13,615 |
| | Attorney General | 0 | 2,322 [2] |
| 34 | Judicial | 396,196 | 135,302 [2] |
| 35 | Local Government | 0 | 24,408 [2] |
| 36 | Ministry for Environment, Sustainable Development and Climate Change | 585,600 | 2,731,487 |
| 37 | Ministry for Foreign Affairs and Trade Promotion | 31,815 | 79,783 [2] |
| 38 | Ministry for Transport, Infrastructure and Capital Projects | 3,620,319 | 12,193,215 [2] |
| | Cleansing and Maintenance Department | - | 23,974 [2] |
| 39 | Ministry for Gozo - Corporate | 125,452 | 865,178 |
| | Ministry for Gozo - Customer Services | 27,320 | 276,223 |
| | Ministry for Gozo - Projects & Development | 118,671 | 133,712 |
| 40 | Ministry for the Family, Children's Rights and Social Solidarity | 1,062,424 | 728,011 |
| 41 | Social Policy | 70,665 | 102,168 [2] |
| 42 | Social Security Benefits | 0 | 0 [2] |
| 43 | Pensions | 0 | 0 |
| 44 | Social Welfare Standards | 3,921 | 11,921 [2] |
| 45 | Elderly and Community Care | 28,782,335 | 35,708,697 [2] |
| | [Ministry for Social Dialogue, Consumer Affairs and Civil Liberties | 63,073 | - |
| | [Ministry for Competiteveness and Digital, Maritime and Services | 0 | - |
| | **Total Outstanding Creditors** | **131,485,123** | **150,938,006** |

**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 2018Q2 was reduced to 8 working days.

2. Provisional data, yet to be validated.
3. The latest data submitted is for 2017Q4.
4. Data for 2018Q2 is yet not sent as per requested deadline, figures shown are for 2018Q1.
5. 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 31/12/16 € | As published in 2018 Financial Estimates € | Target Quarter 1 € | Target Quarter 2 € | Target Total € | Arrears Collected Quarter 1 € | Arrears Collected Quarter 2 € | Arrears Collected Total € |
|---|---|---|---|---|---|---|---|---|
| **Office of the Prime Minister** | 14,328 | 1,433 | 358 | 358 | 716 | 1,160 | 420 | 1,580 |
| *ex-MCDMS* | 9,391,720 | 939,172 | 234,793 | 234,793 | 469,586 | 229,460 | 4,330 | 233,790 |
| *Information* | 13,388 | 1,339 | 335 | 335 | 669 | 6 | 0 | 6 |
| *Government Printing Press* | 344,955 | 34,496 | 8,624 | 8,624 | 17,248 | 2,157 | 1,756 | 3,913 |
| *Electoral Office* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Public Service Commission* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 9,764,391 | 976,439 | 244,110 | 244,110 | 488,220 | 232,783 | 6,506 | 239,289 |
| **Ministry for Health** | | | | | | | | |
| *Government Pharmacetical Services* | 2,432,429 | 243,243 | 60,811 | 60,811 | 121,621 | 0 | 0 | 0 |
| *Health Department* | 1,346,744 | 134,674 | 33,669 | 33,669 | 67,337 | 24,762 | 149,159 | 173,921 |
| *Mater Dei Hospital* | 5,590,182 | 559,018 | 139,755 | 139,755 | 279,509 | 898 | 0 | 898 |
| *Primary Health Care* | 6,950 | 695 | 174 | 174 | 348 | 678 | 0 | 678 |
| *Gozo General Hospital* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Sir Paul Boffa* | 6,536 | 654 | 163 | 163 | 327 | 0 | 0 | 0 |
| | 9,382,841 | 938,284 | 234,571 | 234,571 | 469,142 | 26,338 | 149,159 | 175,497 |
| **Ministry for Economy, Investment and Small Businesses** | | | | | | | | |
| *Commerce Department* | 1,022,792 | 102,279 | 25,570 | 25,570 | 51,140 | 5,244 | 6,718 | 11,962 |
| | 1,022,792 | 102,279 | 25,570 | 25,570 | 51,140 | 5,244 | 6,718 | 11,962 |
| **Ministry for Education and Employment** | | | | | | | | |
| *Ministry* | 480,923 | 48,092 | 12,023 | 12,023 | 24,046 | 3,043 | 2,120 | 5,163 |
| *Education* | 223,529 | 22,353 | 5,588 | 5,588 | 11,176 | 6,277 | 5,193 | 11,470 |
| | 704,452 | 70,445 | 17,611 | 17,611 | 35,223 | 9,320 | 7,313 | 16,633 |
| **Ministry for European Affairs and Equality** | 28,737 | 2,874 | 718 | 718 | 1,437 | 0 | 0 | 0 |
| *Industrial and Employment Relations* | 92,739 | 9,274 | 2,318 | 2,318 | 4,637 | 575 | 1,165 | 1,740 |
| | 121,476 | 12,148 | 3,037 | 3,037 | 6,074 | 575 | 1,165 | 1,740 |
| **Ministry for Finance** | | | | | | | | |
| *Ministry* | 157,534 | 15,753 | 3,938 | 3,938 | 7,877 | 1,421 | 815 | 2,236 |
| *Economic Policy* | 1,371 | 137 | 34 | 34 | 69 | 0 | 0 | 0 |
| *Treasury* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Inland Revenue* | 246,600,962 | 24,660,096 | 6,165,024 | 6,165,024 | 12,330,048 | 10,276,655 | 13,600,845 | 23,877,500 |
| *V.A.T.* | 158,737,169 | 15,873,717 | 3,968,429 | 3,968,429 | 7,936,858 | 871,871 | 4,568,600 | 5,440,471 |
| *Customs* | 16,892,939 | 1,689,294 | 422,323 | 422,323 | 844,647 | 6,142 | 1,434 | 7,576 |
| *Contracts* | 208,995 | 20,900 | 5,225 | 5,225 | 10,450 | 0 | 0 | 0 |
| | 422,598,970 | 42,259,897 | 10,564,974 | 10,564,974 | 21,129,949 | 11,156,089 | 18,171,694 | 29,327,783 |
| **Ministry for Tourism** | 1,339,867 | 133,987 | 33,497 | 33,497 | 66,993 | 145,639 | 64,358 | 209,997 |
| **Ministry for Home Affiars and National Security** | | | | | | | | |
| *Security* | 71,954 | 7,195 | 1,799 | 1,799 | 3,598 | 1,500 | 3,288 | 4,788 |
| *Armed Forces of Malta* | 129,050 | 12,905 | 3,226 | 3,226 | 6,453 | 154 | 0 | 154 |
| *Police* | 293,989 | 29,399 | 7,350 | 7,350 | 14,699 | 12,498 | 37,365 | 49,863 |

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

Table 9

| | Net Collectable Arrears as on 31/12/16 | As published in 2018 Financial Estimates | Target Quarter 1 | Target Quarter 2 | Target Total | Arrears Collected Quarter 1 | Arrears Collected Quarter 2 | Arrears Collected Total |
|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € | € |
| *Correctional Services* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Civil Protection* | 4,928 | 493 | 123 | 123 | 246 | 0 | 0 | 0 |
| *Probation and Parole* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 499,921 | 49,992 | 12,498 | 12,498 | 24,996 | 14,152 | 40,653 | 54,805 |
| **Ministry for Justice, Culture and Local Government** | | | | | | | | |
| *Ministry* | 5,251 | 525 | 131 | 131 | 263 | 0 | 0 | 0 |
| *Attorney General* | 40,995 | 4,100 | 1,025 | 1,025 | 2,050 | 9,954 | 17,056 | 27,010 |
| *Notary to Government* | 1,266 | 127 | 32 | 32 | 63 | 0 | 0 | 0 |
| *Judicial* | 9,546,720 | 954,672 | 238,668 | 238,668 | 477,336 | 175,827 | 153,521 | 329,348 |
| *Local Government* | 415 | 42 | 10 | 10 | 21 | 0 | 0 | 0 |
| | 9,594,647 | 959,465 | 239,866 | 239,866 | 479,732 | 185,781 | 170,577 | 356,358 |
| **Ministry for the Environment, Sustainable Development, and Climate Change** | 1,400,479 | 140,048 | 35,012 | 35,012 | 70,024 | 5,119 | 46,580 | 51,699 |
| **Ministry for Foreign Affairs and Trade Promotion** | 212,788 | 21,279 | 5,320 | 5,320 | 10,639 | 21,188 | 1,818 | 23,006 |
| **Ministry for Transport and Infrastructure** | | | | | | | | |
| *Ministry* | 1,536,259 | 153,626 | 38,406 | 38,406 | 76,813 | 22,925 | 154,672 | 177,597 |
| *Transport Malta* | 1,500,000 | 150,000 | 37,500 | 37,500 | 75,000 | 18,910 | 15,752 | 34,662 |
| *Government Property Division* | 32,100,837 | 3,210,084 | 802,521 | 802,521 | 1,605,042 | 532,546 | 490,681 | 1,023,227 |
| | 35,137,096 | 3,513,710 | 878,427 | 878,427 | 1,756,855 | 574,381 | 661,105 | 1,235,486 |
| **Ministry for Gozo** | 972,406 | 97,241 | 24,310 | 24,310 | 48,620 | 34,399 | 13,398 | 47,797 |
| **Ministry for Family, Children's Rights and Social Solidarity** | | | | | | | | |
| Social Policy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social Security Benfits | 22,635,618 | 2,263,562 | 565,890 | 565,890 | 1,131,781 | 658,815 | 753,375 | 1,412,190 |
| *Pensions* | 38,016,838 | 3,801,684 | 950,421 | 950,421 | 1,900,842 | 352,033 | 157,926 | 509,959 |
| Social Welfare Standards | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Elderly and Community Care | 4,332,761 | 433,276 | 108,319 | 108,319 | 216,638 | 0 | 0 | 0 |
| | 64,985,217 | 6,498,522 | 1,624,630 | 1,624,630 | 3,249,261 | 1,010,848 | 911,301 | 1,922,149 |
| **Total** | | | *13,943,434* | *13,943,434* | *27,886,867* | *13,421,856* | *20,252,345* | *33,674,201* |

## General Government (S.13) Debt Developments and Prospects

Table 10

| | ESA Code | 2017 % GDP | 2018[af] % GDP | 2018[sf] % GDP |
|---|---|---|---|---|
| **1. Gross Debt[(a)]** | | **50.8** | **50.8** | **45.8** |
| 2. Change in Gross Debt ratio | | -5.4 | -4.2 | -5.0 |
| **Contributions to changes in Gross Debt** | | | | |
| 3. Primary Balance | | -5.8 | -2.2 | -2.6 |
| 4. Interest Expenditure | D.41 | 1.9 | 1.7 | 1.6 |
| 5. Stock-flow adjustment | | 3.2 | 0.2 | 0.0 |
| p.m.: Implicit interest rate on debt[(c)] (%) | | 3.6 | 3.4 | 3.4 |
| **Other relevant variables** | | | | |
| Percentage of debt related to foreign loans[(d)] (%) | | 0.2 | 0.0 | 0.0 |
| Average MGS maturity (years) [(e)] | | 9.5 | - | 9.2 |
| Real GDP growth (%) | | 6.6 | 5.6 | 6.1 |

**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 outstanding balance of foreign loans is overwhelmingly held in domestic currency and a negligible amount is held in foreign currency.

[(e)] For 2018, data refers to position as at end June 2018.

## Statement of General Government Sector Debt

Table 11

| | Jan-Dec 2017 Actual € 000 | Jan-Dec 2018 Budget Estimate € 000 | Jan-Jun 2017 Actual € 000 | Jan-Jun 2018 Actual € 000 | Jan-Dec 2018 Revised Estimate € 000 |
|---|---|---|---|---|---|
| **General Government Debt** | | | | | |
| Malta Government Stocks (MGS) | 4,976,961 | 5,070,836 | 5,267,978 | 4,799,380 | 4,732,230 |
| Malta Government Retail Savings Bond (MGRSB) | 99,624 | 96,395 | 0 | 192,956 | 191,651 |
| Treasury Bills | 177,000 | 304,656 | 186,400 | 335,000 | 186,361 |
| Foreign Loans | 8,952 | 1,088 | 11,659 | 1,243 | 1,088 |
| EBU's and Local Councils | 130,713 | 142,636 | 143,661 | 130,630 | 130,713 |
| Currency | 78,202 | 88,115 | 74,812 | 83,574 | 96,675 |
| EFSF (Debt Re-Routing) | 171,189 | 171,189 | 171,189 | 171,189 | 171,189 |
| **Total** | **5,642,641** | **5,874,915** | **5,855,699** | **5,713,972** | **5,509,907** |
| **Public Debt Servicing** | | | | | |
| **Local Loans** | | | | | |
| Interest - Short Term Borrowing (Treasury Bills) | 0 | 406 | 0 | 0 | 406 |
| Interest (MGS/MGRSB) | 214,205 | 211,347 | 105,494 | 100,607 | 204,833 |
| *(A) Total Interest - Local Loans* | **214,205** | **211,753** | **105,494** | **100,607** | **205,239** |
| Contributions to Sinking Funds | 3,261 | 1,631 | 1,631 | 1,631 | 1,631 |
| Contribution to Special MGS Sinking Fund | 50,000 | 50,000 | 15,000 | 15,000 | 50,000 |
| Direct Loan Repayment | 372,932 | 391,694 | 0 | 128,987 | 391,694 |
| Early Repayment of MGRSB | 0 | 3,500 | 0 | 201 | 1,500 |
| *(B) Direct Loan repayments including Early Repayments of MGRSB and Contributions to Sinking Funds* | **426,193** | **446,825** | **16,631** | **145,819** | **443,325** |
| **Total Servicing of Local Loans (A + B)** | **640,398** | **658,578** | **122,125** | **246,426** | **648,564** |
| **Foreign Loans** | | | | | |
| Interest | 846 | 363 | 710 | 358 | 363 |
| Contributions to Sinking Funds | 1,663 | 57 | 832 | 29 | 57 |
| **Total Servicing of Foreign Loans** | **2,509** | **420** | **1,542** | **387** | **420** |

**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 2018 shall not exceed | 300,000 |
| Total amount of Malta Government Stocks issued to date | 93,527 |
| The Total amount of Malta Government Securities/debt instruments to be issued in H2 of 2018 shall not exceed | 206,473 |