Malta:
Half Yearly Report 2019

Ministry for Finance

July 2019

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Fiscal Responsibility Act, 2014
(Cap 534)

In accordance with the requirements of Article 39(7) of the Fiscal Responsibility Act, 2014, I hereby submit a Half-Yearly Report on the economic and budgetary developments for the first half of 2019.

Prof. Edward Scicluna

Minister for Finance

1. 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.

1.1 Latest Economic Conditions

In the first quarter of 2019, the Maltese economy grew by a real rate of 4.9 per cent over the corresponding quarter of last year. This increase was largely attributed to domestic demand, particularly as both investment activity and government consumption expenditure accelerated. During the first quarter of 2019, private household consumption grew by 3.9 per cent, supported by strong labour market conditions, while Government consumption grew by 24.2 per cent, the growth of which was influenced by seasonal factors related to market output and intermediate consumption. This was further compounded by an increase in gross fixed capital formation of 31.8 per cent in real terms. Increases in gross fixed capital formation were registered for both the public and private sector, and in almost all sectors of the economy. Net exports contributed negatively towards growth in the first quarter of 2019, mainly as a result of the strong growth in imports of 6.0 per cent, which reflects the positive developments in investment activity. Moreover, exports in real terms grew by 0.9 per cent in the first quarter of 2019.

During the first quarter of 2019, gross value added at basic prices increased by €186.7 million, or 7.3 per cent, over to the first quarter of 2018. Economic growth continued to be broad-based as most sectors recorded an increase in the gross value added. The highest growth rates were recorded in the construction sector (12.0 per cent), the professional, scientific and technical activities sector (11.6 per cent), the real estate sector (11.3 per cent) and in the arts, entertainment and recreation sector (9.0 per cent). Worth noting was also the growth in the wholesale and retail trade sector which grew by 5.0 per cent and the manufacturing sector, where gross value added increased by 3.5 per cent.

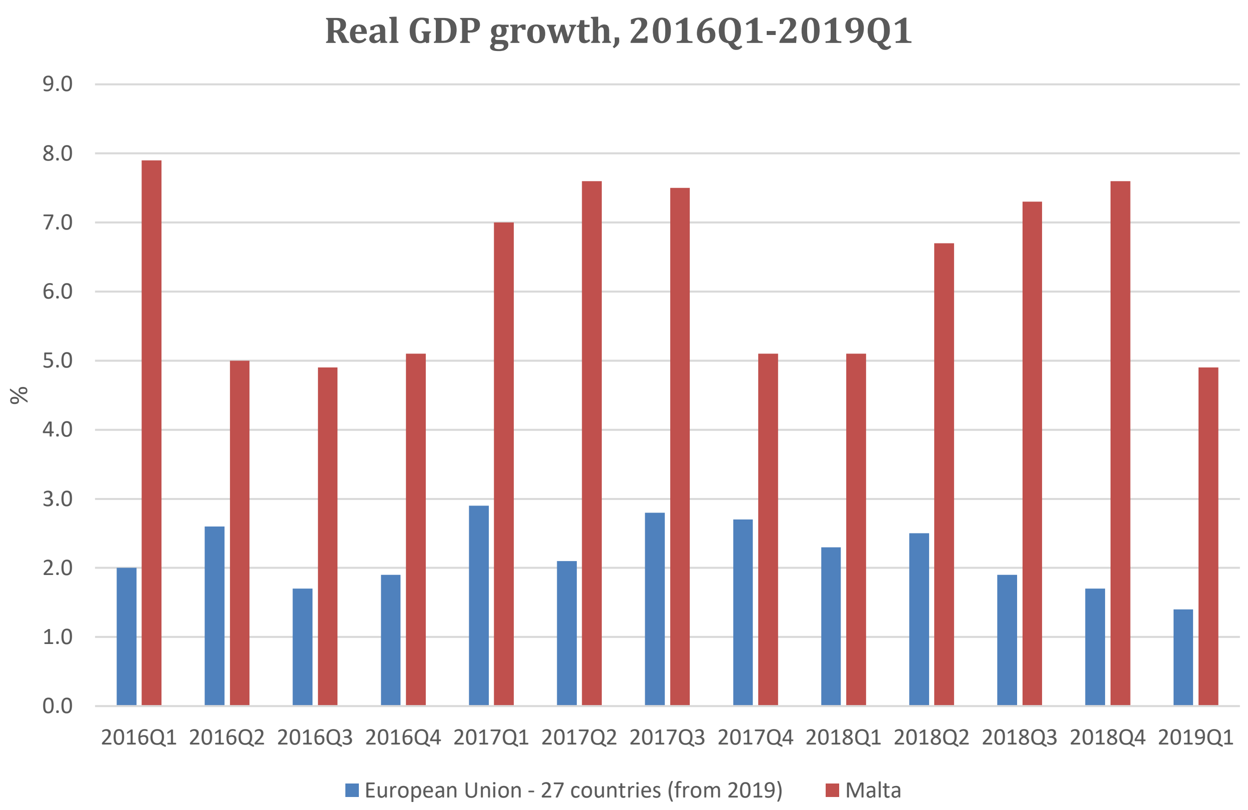

Figure 1

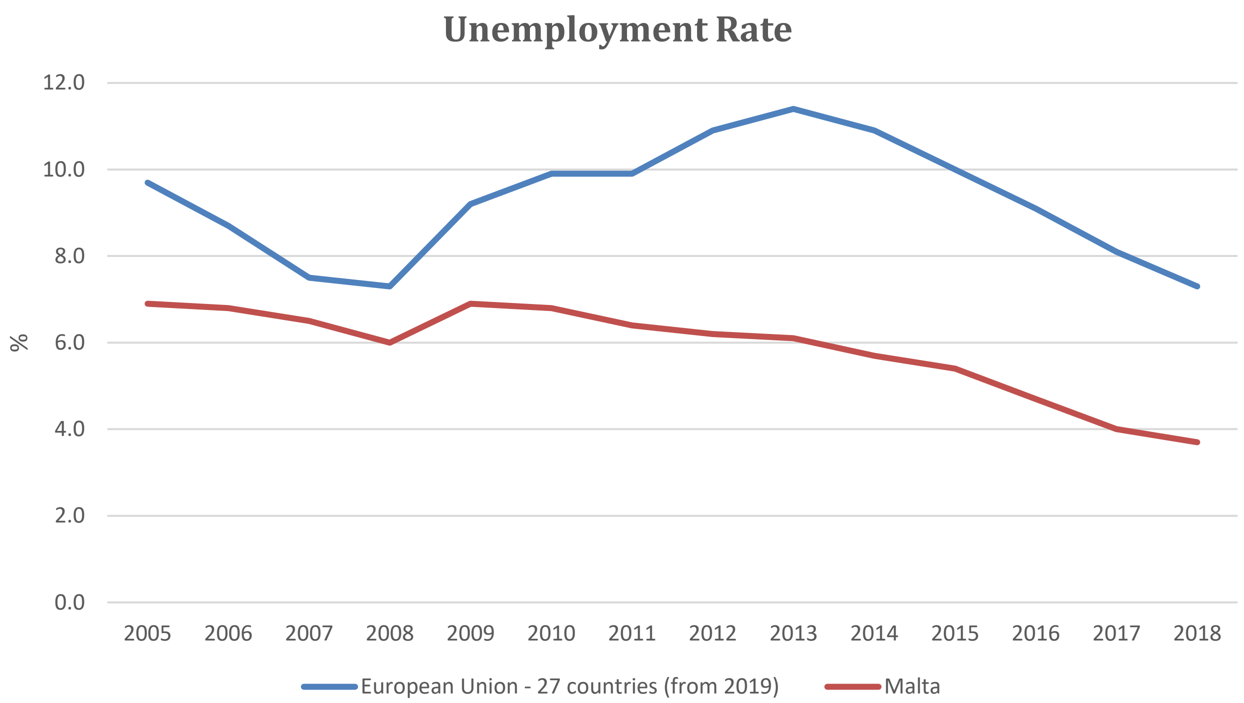

Figure 2

In nominal terms, total income grew by 7.4 per cent, mainly reflecting the 9.4 per cent (or €125.1 million) increase in gross operating surplus and the 5.9 per cent (or €72.0 million) growth in compensation of employees. Net taxes increased by 5.2 per cent, or €16.7 million.

Short-term projections suggest that Malta's economic growth is expected to remain robust in the second quarter of this year and continue ranking amongst the top performers in the EU in terms of economic growth.

1.1.1 Labour Market

During the first quarter of 2019, Malta maintained its strong labour market performance with employment increasing by 5.7 per cent over the corresponding period of last year and an unemployment rate of 3.5 per cent. As a result, the employment rate increased further reaching 72.5, exceeding the EU2020 target employment rate of 70 per cent.

The strong pace of economic activity and demand for labour reflected the buoyant state of the Maltese economy and strong labour demand conditions, supported by improved business prospects, the inflows of migrant workers, and the increasing female and older worker participation rates. Employment growth was further supported by the Government's ongoing efforts in promoting and sustaining active labour market policies, including work-life balance measures, family-friendly measures, in-work benefit and the tapering of benefits, and lower taxes on labour. These efforts also contributed to further improvements in the female participation rate, which increased by 2.9 percentage points in 2018. As a result, although males have a higher employment rate in all age groups, the discrepancy between genders is converging at a steady pace.

1.1.2 Prices

Annual HICP inflation in Malta stood at 1.8 per cent in June 2019. Meanwhile, the EU annual rate for the same month was that of 1.6 per cent while in the EA a rate of 1.3 per cent was recorded.

During the first six months of 2019, HICP inflation has recorded a steady increase but remained below the 2 per cent EU threshold. This has mainly emanated from developments observed in unprocessed foods and non-energy industrial goods. The annual rate for unprocessed foods increased from 4.9 per cent in January 2019 to 5.6 per cent in June 2019 while non-energy industrial goods component turned its rate from a negative of 1.8 per cent in January to 0.5 per cent in June. The annual rate

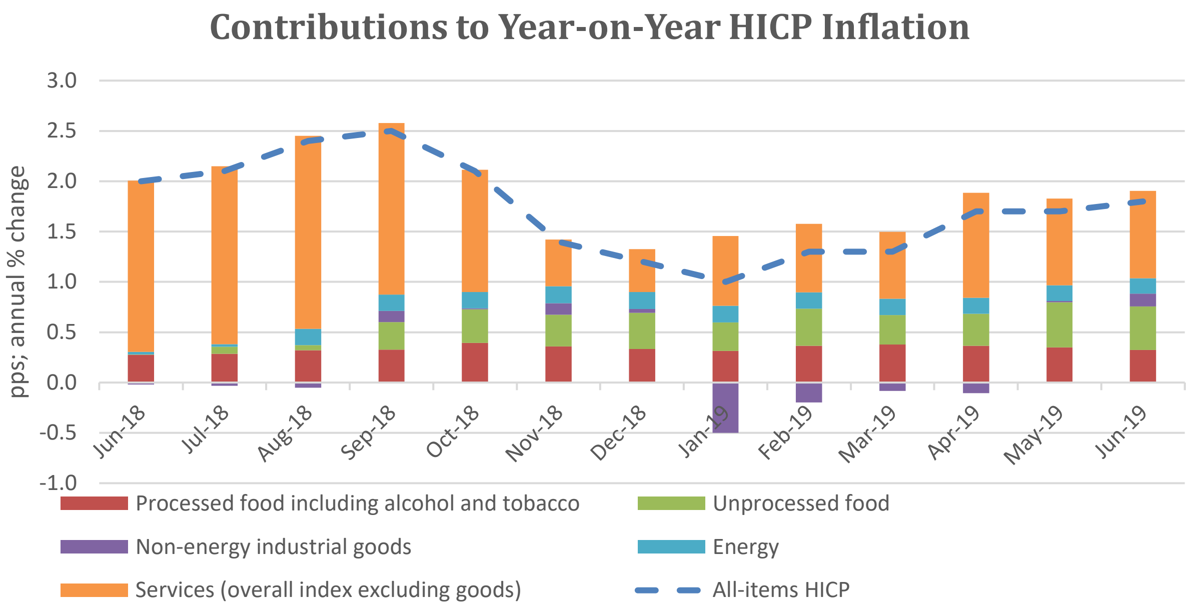

Figure 3

of growth of services prices increased slightly during this period. Services index increased from 1.5 per cent in January to 1.7 per cent in June. Processed food inflation, including alcohol and tobacco, increased slightly to reach the rate of 2.4 per cent in June from 2.3 per cent in January. Meanwhile, the annual rate for energy remained stable during the period under review recording the rate of 2.6 per cent in June. The measure of core HICP inflation (excluding energy and unprocessed foods) increased from the 0.6 per cent in January to 1.5 per cent in June.

1.2 Comparison of macroeconomic projections

This section provides a comparative evaluation of the latest macroeconomic forecasts for 2019 published in the 2019-2022 Medium-Term Fiscal Strategy for Malta: Update of the Stability Programme document (hereinafter referred to as the Spring 2019 forecast) against the forecasts for the same year that underpinned the Budget 2019 projections in October 2018 (hereinafter referred to as the Autumn 2018 forecasts). This assessment aims to explain the main forecast revisions that were undertaken since October 2018. Data referred to in this section is shown in Table 1.1.

1.2.1 Statistical Revisions influencing the change in Macroeconomic Forecasts

The Budget projections of October 2018 carried a cut-off date for the inclusion of statistics and other information of 12th October 2018. As a result, forecasts were based on actual data for the first half of 2018 with 2018 being a forecast. In contrast, the cut-off date for the revised Spring forecasts of April 2019 was 26th April 2019 thus incorporating data for the whole of 2018 and the forecast period starting from the year 2019.

It is important to note that considerable statistical revisions where undertaken between the GDP Q2/2018 release used for the Autumn 2018 forecast and the GDP Q4/2018 release used for the Spring 2019 forecast. As documented by the National Statistics Office (NSO) in the GDP Q3/2018 News Release 193/2018[1], national accounts and balance of payments data were revised upwards with data collection on Arts, entertainment and recreation activities for the reference years 2014 and 2015.

[1] Gross Domestic Product: Q3/2018 News Release 193/2018 can be accessed at https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A1/National_Accounts/Documents/2018/News2018_193.pdf

This has had an impact on the extrapolated figures for reference years 2016 to date. Revisions are included under the heading 'Arts, entertainment and recreation, repair of household goods and other services' in the output and income approach. The impact on the expenditure approach may be observed in exports and imports. In particular, there were substantial revisions in balance of payments export data which suggested that economic activity was in fact stronger than previously estimated by the NSO. This explains in part the upwards revisions in export growth that were undertaken in the Spring 2019 forecast, despite the fact that external conditions were deteriorating. This news release also incorporates updates from financial statements to past balance of payments estimates. These updates had an impact on the expenditure approach and the GDP to GNI transition. Overall, revisions in GDP and GNI between 2014 and 2017 amounted to an average of 1.2 per cent and -0.2 per cent respectively.

The headline real and nominal GDP growth rates for 2018 changed favourably from the Autumn 2018 forecasting session to the Spring 2019 forecasting session. In Autumn 2018, nominal and real GDP projections for 2018 were 7.7 per cent and 5.3 per cent, respectively, while in Spring 2019, actual nominal GDP growth was estimated at 9.3 per cent and real GDP growth was estimated at 6.2 per cent respectively.

The stronger than expected performance in 2018 was primarily due to stronger growth in household consumption (7.3 per cent growth against the expected growth of 5.6 per cent), a stronger growth in export (2.1 per cent growth against the expected growth of 1.3 per cent) and a lower import content of production which meant that actual growth in imports was lower than anticipated (1.3 per cent growth against the expected growth of 2.0 per cent).

Comparison of macroeconomic projections for 2019

Table 1.1

	MFIN Autumn 2018	MFIN Spring 2019	Difference
Private final consumption expenditure	4.1	5.8	1.7
General government final consumption expenditure	8.2	11.6	3.4
: net of Individual Investor Programme (IIP) proceeds	*5.8*	*7.3*	*1.5*
Gross fixed capital formation	8.4	13.7	5.3
Exports of goods and services	2.2	2.4	0.2
: net of Individual Investor Programme (IIP) proceeds	*2.6*	*2.8*	*0.2*
Imports of goods and services	2.2	3.4	1.2
Real GDP	5.3	6.2	0.9
Domestic Demand Contribution (in pps)	5.0	7.0	2.0
External Demand Contribution (in pps)	0.3	-0.8	-1.1
Nominal GDP	7.7	9.3	1.6
HICP	1.9	1.9	0.0
Employment (Domestic Concept)	3.7	4.6	0.9
Unemployment Rate	4.1	3.8	-0.3
Output Gap	0.1	0.4	0.3
Potential Output	6.2	6.5	0.3

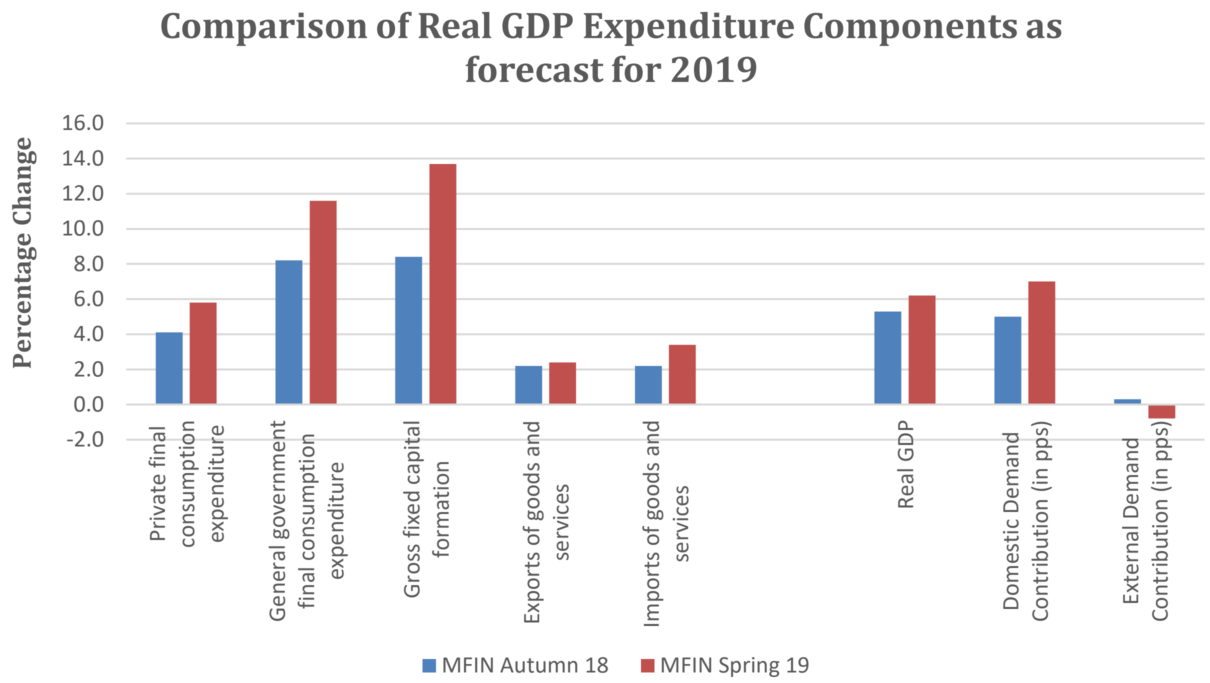

Figure 4

1.2.2 Other developments influencing the change in Macroeconomic Forecasts

The statistical revisions and the more positive pace of economic expansion than originally anticipated supported an upward revision to the growth projections for 2019. Nevertheless, these positive factors were partly mitigated by mounting pressures on global economic activity. Whereas in Autumn 2018, growth in Malta's main trading partners was projected to be 1.7 per cent in 2019, weaker global growth and worsening economic conditions in the EU in the last two quarters of 2018 and throughout the start of 2019 resulted in a downwards revision of 0.5 percentage points in projected growth of Malta's main trading partners in Spring 2019. Moreover, forecasts for Spring 2019 assume a weaker Euro vis-à-vis the US Dollar in view of the global trade developments at the end of 2018.

As a result, only a marginal upward revision in export growth prospects was undertaken and the largest revisions between the Autumn and the Spring forecast for 2019 was carried out on domestic drivers of aggregate demand. This included a substantial upward revision in investment and higher household consumption to reflect a lower than anticipated growth in household savings. The considerable upward revision in investment related mostly to public investment, as a number of EU-funded investment projects pre-funded at the end of 2018 are expected to materialise in 2019. Furthermore, in view of the lower than anticipated import content of production which was persistently becoming a source of forecast error over successive vintages, some of the major import assumptions were revised to support a more realistic growth projection.

Figure 4 provides a graphical comparison of the differences in the projected components of real GDP for 2019 as estimated by MFIN in the Budget projections and the revised Spring 2018 projection.

1.2.3 Private Consumption Expenditure

The revised forecasts presented by MFIN in Spring 2019 projected a stronger rate of growth in private consumption expenditure (+1.7 percentage points), when compared to the Autumn 2018 forecasts. The revision was primarily underpinned by revised outlook for savings and disposable income which are both expected to support a higher growth in household consumption compared to Autumn's expectations. These developments are consistent with a stronger labour market outlook in the recent projections.

1.2.4 Public Consumption Expenditure

Growth in government final consumption expenditure for 2019 has been revised upwards by 3.4 percentage points, to reach 11.6 per cent in the Spring forecast. This increase is mainly due to upwards revisions attributed to capital expenditure, of which part is classified under intermediate government consumption. Meanwhile, the forecasts for compensation of employees were also revised upwards from the Autumn 2018 forecasts.

1.2.5 Gross Fixed Capital Formation

The outlook for GFCF in 2019 has been revised upwards from 8.4 per cent in October 2018 to 13.7 per cent in April 2019. This revision is due to the fact that a number of EU-funded investment projects pre-funded at the end of 2018 are expected to materialise this year. Furthermore, investment is expected to hasten in 2019 due to the fact that a number of large-scale projects, particularly those in the transport, aviation, tourism and real-estate sector, have picked-up momentum at the start of the year.

1.2.6 External Balance of Goods and Services

In the Spring forecast, the gap between exports and imports of goods and services widened. Both components have been revised upwards in the forecast round carried out in April 2019 with imports being revised by a higher rate when compared to exports, to reflect the stronger upward revisions in domestic demand. The growth in exports has been adjusted upwards by 0.2 percentage points, from 2.2 per cent to 2.4 per cent. On the other hand, the growth in imports has been revised upwards by 1.2 percentage point to 3.4 per cent, consistent with the upward revision in investment which induces its own demand for additional imports given the relatively high import content assumed with these investments.

1.2.7 Inflation and Labour Market Developments

The latest Spring forecasts expect inflationary pressures to remain relatively unchanged when compared to the annual inflation rate forecasted in Autumn 2018, which stood at 1.9 per cent. Furthermore, employment growth projections have been revised upwards by 0.9 percentage points while the unemployment rate is expected to reach a rate lower than that forecasted in Autumn 2018 in line with recent trends, thus reflecting the more buoyant labour market conditions

1.2.8 Potential Output and the Output Gap

Malta's potential output growth has been revised upwards by 0.3 percentage points in MFIN's Spring forecasts, to reach 6.5 per cent in 2019. 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 0.4 per cent as a result of the revisions in both actual GDP and estimates of GDP growth.

1.3 Updated Risks to the Growth Outlook since Spring 2019

Malta's Medium-Term Fiscal Strategy has already highlighted in detail the macroeconomic risks surrounding these projections. From a macroeconomic perspective it is notable that some of the external risks identified are materialising. In particular, conditions in Italy and Germany have deteriorated, especially in the automotive sector, and global trade prospects are worsening. This suggests that downward revisions in export growth may be warranted.

On the other hand, labour market conditions in Malta remain strong whilst the expected strong pace of investment activity remains plausible as a number of unanticipated large-scale investments in the transport sector materialised and mitigated potential delays in construction activity surrounding some large-scale projects. Having said this, more recent performance indicators related to tax suggest that any revision in the macroeconomic prospects is not impinging on fiscal targets, possibly in view of some elements of fiscal prudence maintained in the fiscal projections. Whilst the situation is being monitored very closely, a revised growth outlook is not yet being considered at this stage.

2. Half Yearly General Government Revenue and Expenditure Performance

This section provides an analysis on revenue and expenditure performance for the first six months of 2019.

General Government accrual data for the second quarter of the year is not fully available by the deadline date and is therefore based on provisional estimates. Data referred to in this section is shown in Table 2.1.

During January to June 2019, general Government revenue is estimated to have increased by €144.6 million or 6.5 per cent over the comparable period in 2018. This increase is mainly on account of higher tax revenue and capital transfers receivable, in part offset by a decline in market output and property income. In the first half of 2019, 46 per cent of the revised projected revenue was collected, compared to 47 per cent in the comparable period last year. However, tax revenue and social contributions are roughly in line with expectations and the marginal shortfall is due to other revenue. What follows is a more detailed review of the main components underlying the variances with successive projections.

Revenue from current taxes on income and wealth is estimated to have increased by €88.4 million. The implied growth rate in current taxes on income and wealth of 11.4 per cent recorded during the first half of the year is marginally stronger than the growth rate of 10.9 per cent projected in Autumn 2018 for the entire year. It is also noted that in the first half of 2019, 45.0 per cent of the approved estimates for the whole year is estimated to have accrued, whereas in the comparable period last year 47 per cent of the yearly proceeds was collected. On the basis of the revised Spring 2019 projections, 48.0 per cent of the revised estimates for 2019 are estimated to have accrued. These indicators show that the performance in the first half of the year is slightly exceeding the revised expectations.

Revenue from taxes on production and imports is estimated to have recorded an increase of €32.1 million or 4.5 per cent during the first six months of 2019. In order to take into consideration significantly higher than budgeted tax revenue in 2018, revenue from indirect taxation was revised upwards in Spring 2019. Nevertheless, growth in this component of revenue, which was projected at 6.0 per cent in the 2019 Budget, was maintained at the same level in Spring 2019 by way of added prudence. In the first half of 2019, 46 per cent of the approved target (equivalent to 45 per cent of the revised target) for the year is estimated to have been collected, compared to a ratio of 45 per cent a year earlier. Of the €747.7 million in revenue collected from taxes on production and imports, €443.2 million relate to Value Added Tax (VAT) proceeds, as revenue from VAT for the January to June 2019 period is estimated to have registered a growth rate of 8.5 per cent, compared to the growth rate of 6.3 per cent projected in Autumn 2018 for the entire year. These indicators suggest that taxes on production and imports are in line with revised targets, although VAT is exceeding expectations.

During the first half of 2019, revenue from social contributions is estimated to have increased by 3.6 per cent or €13.6 million, compared to a projected increase of 7.1 per cent for the whole year. Revenue projections for social contributions were revised marginally upwards in Spring 2019 by €10.3 million, in order to take into consideration higher than budgeted tax revenue in 2018. However, an element of prudence was sustained by way of more conservative growth targets for 2019, such that growth in this component of revenue was revised downwards to 6.9 per cent in 2019. In the first half of 2019, 49 per cent of the approved target for the year (equivalent to 48 per cent of the revised revenue target) is estimated to have been collected, compared to a ratio of 50 per cent a year earlier. These indicators point to some underperformance compared to the revised targets in this category. Nevertheless, given the continued strength of the labour market, no revision is deemed necessary at this point.

General Government Budgetary Execution and Prospects in Accordance with ESA Standards

The data for 2019Q2 was partly estimated and is to be considered as provisional

Table 2.1

	ESA Code	2018 Actual *€ 000*	2019 Budget Forecast *€ 000*	2019 Revised Forecast *€ 000*	Jan-Jun 2018 Actual *€ 000*	Jan-Jun 2019 Provisional *€ 000*
Net lending (+)/net borrowing (-)						
1. **General Government**	S.13	**250,839**	**164,999**	**120,299**	**113,055**	**-8,500***
2. Central Government	S.1311	242,333	166,213	121,513	108,072	-13,470
3. State Government	S.1312	-	-	-	-	-
4. Local Government	S.1313	8,506	-1,214	-1,214	4,983	4,970
5. Social Security funds	S.1314	-	-	-	-	-
For the General Government						
6. **Total Revenue**	TR	**4,783,230**	**5,054,032**	**5,124,409**	**2,224,245**	**2,368,886***
Of which						
Taxes on Production and Imports	D.2	1,590,626	1,613,780	1,665,767	715,674	747,733
Current Taxes on Income, Wealth, etc.	D.5	1,650,406	1,935,405	1,796,405	775,089	863,486
Capital Taxes	D.91	20,699	26,501	27,217	10,492	11,153
Social Contributions	D.61	764,777	807,264	817,538	382,120	395,703
Property Income	D.4	95,970	66,246	68,489	58,483	48,822
Other [a]		660,751	604,836	748,993	282,387	301,988
7. **Total Expenditure**	TE	**4,532,391**	**4,889,033**	**5,004,110**	**2,111,190**	**2,377,386***
Of which						
Compensation of employees	D.1	1,376,102	1,467,687	1,490,328	684,211	714,698
Intermediate Consumption	P.2	834,397	886,828	936,866	377,279	469,277
Social Payments	D.6	1,175,419	1,290,308	1,275,096	586,635	638,572
Interest Expenditure	D.41	187,687	187,814	186,533	94,887	91,259
Subsidies	D.3	157,570	176,987	165,405	69,696	73,254
Gross Fixed Capital Formation	P.51	370,594	465,338	525,059	117,916	189,864
Capital Transfers	D.9	168,634	157,717	168,621	85,610	49,478
Other [b]		261,988	256,352	256,202	94,957	150,985
8. **Gross Debt** [c]		**5,664,744**	**5,660,073**	**5,755,820**	**5,769,454**	**5,835,949**

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).
*Provisional and may be subject to significant revisions

Meanwhile, other revenue is estimated to have increased by €19.6 million as the increase in estimated capital transfers and investment grants amounting to €41.5 million and in other current transfers of €5.7 million is only in part offset by the estimated decline in market output of €29.8 million.

During the first two quarters of 2019, general Government expenditure is estimated to have increased by €266.2 million, or 12.6 per cent, compared to the same period of 2018. Overall expenditure in the first half of the year was 48 per cent of the revised budget target whereas in the same period last year 47 per cent of total expenditure outlays for the year had been spent in the first six months. The marginally higher variance is primarily due to intermediate consumption and gross fixed capital formation. Increased outlays were also recorded towards 'other' expenditure. Meanwhile, lower expenditure was mainly recorded in capital transfers payable, compared to the same period in 2018, primarily reflecting the capitalisation of Malta Air Travel Ltd (MAT Ltd) for the purchase of Air Malta's landing slots in 2018. Expenditure on social payments and on subsidies was similar to what was recorded last year when benchmarked against the revised projections whilst expenditure on compensation of employees and on interest payments were lower than expected. What follows is a more detailed review of the main components underlying the variances with successive projections.

Expenditure on intermediate consumption has increased by €92 million during the first half of 2019, such that intermediate consumption expenditure during the January-June 2019 period amounted to 53 per cent of the approved target for the year, compared to a ratio of 45 per cent during the same period in 2018. Nevertheless, the share to annual expenditure declines to 50 per cent when compared to the revised target expenditure for 2019. Developments in intermediate consumption primarily reflect higher estimated expenditure by central Government made in respect of ad hoc programmes run by Government and payments for the provision of services, as well as contributions towards Government Entities and capital expenditure classified under this category of expenditure. Higher estimated expenditure by Extra-Budgetary Units is also recorded during the January-June 2019 period.

Expenditure on gross fixed capital formation increased by €72 million during the first six months of 2019, mainly underpinned by higher expenditure on projects in part financed from EU funds, as well as domestically-financed capital expenditure. As a result, over the first six months of 2019, the Government has spent around 41 per cent of the approved expenditure for 2019 (equivalent to 36 per cent of the revised target for gross fixed capital formation), as compared to 32 per cent over the comparable period in 2018. This suggests that project outlays are exceeding expectations though the seasonal element is less predictable in this item of expenditure and a further revision is not deemed warranted at this stage.

'Other' expenditure is estimated to have increased by €56.0 million during the first two quarters of 2019 primarily on account of higher current transfers, which have increased by €53 million compared to the same period in 2018. These developments primarily reflect higher EU Own Resource payments, reflecting amendments in the timing of when payments fell due in 2019 compared to 2018 and an increase in Malta's 2019 forecast Gross National Income, as well as due to the annual contribution to the 'Contingency Reserve' account, which was affected in June. Since these developments are mainly of a seasonal nature, a revision in this component of expenditure is not considered necessary at this juncture.

Expenditure on social payments is estimated to have increased by 8.9 per cent during the first half of 2019, compared to a growth rate of 6.5 per cent projected in the 2019 Budget subsequently revised to 8.5 per cent in the revised projections published last Spring. Developments in social payments recorded during the first six months of 2019 however also reflect seasonal conditions in the timing of payments due, such that a further upward revision does not appear warranted at this stage. Indeed, over the first six months of 2019, the Government has spent around 49 per cent of the approved expenditure for 2019 (equivalent to 50 per cent of the revised targets), as compared to 50 per cent over the comparable period in 2018. These indicators suggest that the performance in this category is in line with the revised projections.

In spite of a €30 million increase in expenditure on compensation of employees, this is estimated to have increased by 4.5 per cent during the first half of 2019, less buoyant than the projected increases of 6.2 per cent and 8.3 per cent estimated in Autumn 2018 and Spring 2019, respectively. Indeed, during the first six months, outlays in respect of this item of expenditure amounted to 49 per cent of the approved target for the year (or the equivalent of 48 per cent of the revised target for this category of expenditure), compared to a ratio of 50 per cent a year earlier. These indicators suggest that in the first half of the year compensation of employees is marginally lower than the revised targets.

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

This section provides an assessment of the impact of revised macroeconomic projections between Autumn 2018 and Spring 2019 on main revenue projections and expenditure commitments. This section focuses exclusively on the macroeconomic projections which are used as input in the fiscal projections.

During the current fiscal year, the general Government balance is expected to remain in surplus at 0.9 per cent of GDP. Between the Autumn of 2018 and Spring of 2019, fiscal projections were revised to reflect an overall stronger starting fiscal position and revised macroeconomic forecasts, as well as statistical reclassifications within general Government as recommended by Eurostat and pre-financed EU funded expenditure of which the national co-financing element influences the fiscal balance in 2019.

In Spring 2019, the 2019 projections for general Government revenue were revised upwards by €70 million to €5,124.4 million. The fiscal outcome in 2018 warranted a downward revision in revenue from current taxes on income and wealth in 2019 by €139 million compared to what was anticipated in the 2019 Budget. It is however worth noting that this revision was not in the main related to macroeconomic conditions but mostly as a result of the base effect of the revision in the 2018 outcome which, as highlighted in the Annual Report 2018, was due to an accelerated administrative process of refunds, which reduced the amount of funds transferred to central Government despite the increase in gross receipts. Indeed, projections for this component are now based on more prudent estimates of sensitivity to the macroeconomic base. This was in part offset by higher estimated revenue from taxes on production and imports, which has been revised upwards by €52 million to reflect a stronger outturn in 2018 as well as the sustained positive performance of the domestic economy, including upward revisions in the projections for household consumption and updated projections for the property market. Other revisions in revenue projections were unrelated to changes in macroeconomic forecasts.

The projections for general Government expenditure have meanwhile been revised upwards by €115 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 2019 were based on the same COLA of €2.33. On the expenditure side, other revisions were in respect of higher anticipated gross fixed capital formation, and to a lesser extent, higher outlays on intermediate consumption and compensation of employees compared to expected developments in 2019 as projected in Autumn 2018.

Provisional estimates for the first quarter of 2019 indicate that the Maltese economy sustained growths of 7.4 per cent in nominal terms and 4.9 per cent in real terms, when compared to the corresponding period last year. As anticipated, economic growth is being primarily driven by the domestic component of the economy. Whilst the increase in household expenditure was less buoyant than forecast, this was compensated for by a more dynamic increase in gross fixed capital formation and in general Government final consumption expenditure. On the external side, growth in exports of goods and services was less robust than estimated, whereas the growth in imports of goods and services was more dynamic than projected in Spring 2019. As a consequence, net exports contributed negatively to economic growth. Latest employment indicators substantiate the strong expectations for the labour market, while the growth in prices, as measured as the twelve-month moving average of the Harmonized Index for Consumer Prices (HICP), was 1.7 per cent in May 2019, broadly consistent with the forecast 1.9 per cent growth for 2019. Whilst these recent developments are overall relatively more subdued than projected in the Spring forecasting session, at this juncture a revision in short term growth projections is not warranted.

Fiscal performance indicators on the basis of the Spring 2019 updated projections suggest that revenue performance for central Government on a cash basis is broadly on target, as marginally weaker than target tax revenue is more than compensated for by above target non-tax revenue. It should be noted that the variance for some non-tax revenue components is not considered material, as revenue is likely to be accrued by end-of-year. Also, since revenue from grants and foreign financed capital expenditure tend to cancel each other by the year end, the variance of the two is not taken into account. Meanwhile, on a cash basis, expenditure during the first six months of 2019 was marginally lower than estimated for the period under consideration, as broadly similar patterns to last year in terms of recurrent expenditure are compensated for by lower than target capital spending financed from national funds. It is worth highlighting that this exercise is based on cash data such that the in-year budgetary performance is not symmetrical throughout the year. Seasonal patterns may also vary from one year to the next due to the timing of payments and receipts. Therefore, in-year budgetary data as a measure of in-year budgetary performance should be read with caution.

At the current juncture, latest macroeconomic conditions and fiscal performance indicators during the first half of the year do not warrant further revisions to the 2019 fiscal stance beyond the adjustments carried out in Spring 2019.

4. Corrective Measures

This section includes any adjustments effected to the Autumn 2018 budgetary targets following a review of revenue targets and expenditure commitments as a result of revised macroeconomic projections and revised budgetary assessment. 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.

For 2019, 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 to €1.6 million while the general Government budget surplus in ESA terms was revised to €120.3 million. The general Government budget surplus is thus expected to reach 0.9 per cent of GDP compared to the original target surplus of 1.3 per cent of GDP published in the 2019 Budget Estimates. Table 4.1 shows the revenue and expenditure performance for the first six months of 2019 as compared to the same period in 2018, incorporating also the respective revised positions for 2019 as compared to the original budget which was approved in December 2018. The revised position is based on the outturn for 2018, 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 these variances have already been reflected in the 2019 - 2022 Stability Programme for Malta which was published in April this year.

Central Government Finances - Consolidated Fund

Table 4.1

	Jan - Dec 2018 *Actual* €000	Jan - Dec 2019 *Approved Estimates* €000	Jan - Jun 2018 *Actual* €000	Jan - Jun 2018 *Actual as a % of 2018*	Jan - Jun 2019 *Actual* €000	Jan - Jun 2019 *Actual as a % of 2019*
Revenue	**4,559,775**	**5,013,813**	**1,898,322**	***41.6***	**2,164,501**	***43.2***
Tax Revenue	**4,167,780**	**4,571,845**	**1,741,880**	***41.8***	**1,959,622**	***42.9***
Indirect Tax Revenue	*1,626,805*	*1,668,845*	*723,930*	*44.5*	*803,797*	*48.2*
Customs and Excise Duties	312,142	335,930	146,211	*46.8*	153,539	*45.7*
Licenses, Taxes, and Fines	386,693	388,915	186,479	*48.2*	202,158	*52.0*
Value Added Tax	927,970	944,000	391,240	*42.2*	448,100	*47.5*
Direct Tax Revenue	*2,540,975*	*2,903,000*	*1,017,950*	*40.1*	*1,155,825*	*39.8*
Income Tax	1,573,144	1,869,000	594,301	*37.8*	685,178	*36.7*
Social Security	967,831	1,034,000	423,649	*43.8*	470,647	*45.5*
Non-Tax Revenue	**391,995**	**441,968**	**156,442**	***39.9***	**204,879**	***46.4***
Fees of Office	82,220	70,909	36,623	*44.5*	40,251	*56.8*
Reimbursements	49,137	42,077	19,000	*38.7*	22,484	*53.4*
Central Bank of Malta	35,000	28,000	28,000	*80.0*	20,000	*71.4*
Rents	30,408	32,050	13,147	*43.2*	23,262	*72.6*
Dividends on Investment	45,768	39,110	20,583	*45.0*	8,635	*22.1*
Interests on Loans made by Government	49	276	31	*63.3*	37	*13.4*
Grants	100,781	199,758	27,201	*27.0*	71,547	*35.8*
Miscellaneous	48,632	29,788	11,857	*24.4*	18,663	*62.7*
Total Expenditure(1)	**4,629,992**	**4,980,470**	**2,040,231**	***44.1***	**2,320,667**	***46.6***
Recurrent Expenditure	**3,821,448**	**4,119,335**	**1,796,600**	***47.0***	**2,006,941**	***48.7***
Personal Emoluments	888,138	960,991	407,039	*45.8*	441,597	*46.0*
Operations and Maintenance	210,693	209,696	91,421	*43.4*	104,838	*50.0*
Programmes and Initiatives	2,261,800	2,464,538	1,096,378	*48.5*	1,237,486	*50.2*
Contributions to Government Entities	460,817	484,110	201,762	*43.8*	223,020	*46.1*
Interest Payments	203,555	199,107	100,965	*49.6*	94,218	*47.3*
Capital Expenditure	**604,989**	**662,028**	**142,666**	***23.6***	**219,508**	***33.2***
Foreign Funds	234,770	199,758	21,998	*9.4*	66,224	*33.2*
National Funds (incl Co Financing)	370,219	462,270	120,668	*32.6*	153,284	*33.2*
Consolidated Fund Balance	**-70,217**	**33,343**	**-141,909**		**-156,166**	

Notes:
af - Autumn Forecasts (Approved Estimates)
(1) Excluding sinking fund contributions, direct loan repayments and equity acquisition

4.1 Revenue

A decrease in revenue equivalent to 0.4 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 Social Security Contributions, Value Added Tax as well as Licences, Taxes & Fines have been revised upwards by a total €77 million, based on revenue performance to-date and in reflection of expected economic activity up to the end of the year. On the other hand, a €141 million downward revision under Income Tax is expected to materialise by the end of the current year, explained by the fiscal outcome in

2018 which in the main was influenced by administrative measures related to the processing of refunds for corporate income tax.

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 0.1 per cent of GDP is expected to ensue by the end of 2019.

Disaggregated according to the respective recurrent expenditure categories, the factors contributing to this variance amounted to +€8.4 under Programmes and Initiatives and +€12.8 million under Contribution to Government Entities. The categories for Personal Emoluments and Operational and Maintenance Expenses are forecast to remain on track.

The revised estimates for Programmes and Initiatives include supplementary funding required for medicines and surgical materials in response to demand arising, 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 support schemes in private schools and childcare, together with a settlement amounts due for landscaping works. Part of the recurrent expenditure increase is expected to be offset by lower outlay on social security benefits, reflecting extrapolation of performance to-date. 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 tourism, infrastructure, asylum seekers and financial intelligence.

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 €3.7 million lower than originally estimated.

4.3 Capital Expenditure

A net decrease in capital expenditure of €45 million, equivalent to 0.3 per cent of GDP is expected to ensue by the end of 2019, when compared to the original budget.

This variance includes lower expected outlay to cover projects which are national funded, whilst implementation of projects funded through the EU 2014 - 2020 funding programme is expected to remain as forecast.

4.4 General Government Adjustments

The main revisions in the general Government forecasts include a net negative adjustment of €13 million, due to the reclassification of certain projects in the general Government sector.

5. Revised General Government Budgetary Targets

The following section provides data on the general Government budgetary targets as proposed in the 2019 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 section are the revisions carried out in Spring 2019, as no further revisions are being put forward in this Half-Yearly Report 2019.

During the current fiscal year, developments in the revenue and expenditure ratios to GDP are expected to result in a general Government surplus of 0.9 per cent of GDP compared to the original targets of 1.3 per cent of GDP set in the Budget.

In 2019, revenue is expected to increase by €341.2 million or by 7.1 per cent over the previous year, and amount to € 5,124.4 million. The projections for general Government revenue have been revised upwards by €70.4 million, mainly on account of higher than originally projected ‘other’ revenue, as projected tax proceeds were revised downwards by €76.0 million primarily to reflect the outturn in 2018 and in reflection of expected economic activity up to the end of the year. It may be noted that these variances to revenue have been carried out in the Medium Term Fiscal Strategy which was published in April this year and submitted to Parliament in May.

The downward revision in direct taxation primarily reflects lower than anticipated tax revenue from current taxes on income and wealth. More than three-quarters of the €139.0 million downward revision in current taxes on income and wealth is explained by the fiscal outcome in 2018 which in the main was influenced by administrative measures related to the processing of refunds for corporate income tax. Meanwhile, revenue from social contributions was revised marginally upwards by €10 million compared to the 2019 Budget forecast.

Notwithstanding the decline in market output envisaged for 2019, such that proceeds from this revenue item are expected to decline from €506.9 million in 2018 to an estimate of €446.1 million, revenue from market output was revised upwards by €61.8 million compared to the Autumn 2018 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 2018 as well as the sustained positive performance of the domestic economy, including household consumption, tourism earnings and the property market. As a consequence, revenue from taxes on production and imports was revised upwards by €52 million. Although the fiscal outcome in 2018 would have warranted a more optimistic revision, an added element of prudence was sustained in the revised Spring 2019 projections.

In the revised forecasts, 'other' revenue has also been revised upwards by €144 million, mainly reflecting higher EU funds revenue reflecting expenditure related to capital projects financed from EU funds.

General Government expenditure is expected to increase by €471.7 million or 10.4 per cent over the previous year, and to amount to €5,004.1 million. The projections for general Government expenditure have been revised upwards by €115.1 million, primarily reflecting higher estimated capital outlays, and to a lesser extent, an upward revision in intermediate consumption and compensation of employees. Compared to the Autumn 2018 projections, the main changes to the expenditure forecast in 2019 are due to a combination of the following factors:

1. In view of anticipated developments in capital spending (financed from both national and foreign funds) during the current fiscal year, expenditure on gross fixed capital formation has been revised upwards by €60.8 million, which primarily includes pre-financed expenditure on EU funded projects.

2. Projections for intermediate consumption have been revised upwards by €48.7 million, reflecting higher anticipated expenditure for residential homes in the social sector, as well as landscaping in urban areas. Indeed, intermediate consumption is now estimated to increase by 12.3 per cent in 2019 in line with an increase of 11.2 per cent estimated during the first half of the year.

3. An upward revision in expenditure towards compensation of employees amounting to €22.6 million has been affected, reflecting increases in civil service salaries as well as the planned recruitment for the current year.

4. Meanwhile, expenditure on social payments is expected to increase by €99.7 million in 2019, or 8.5 per cent, to €1,275.1 million. Nevertheless, the 2019 Budget projections were revised downwards by €15.8 million, in view of lower than estimated expenditure in respect of pensions and social security benefits in response to the actual number of beneficiaries.

6. 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 2019.

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 2017, as reported to the Accountant General in 2018.

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 Appendix Table 8.

It will be noted that the original targeted amount of €26.58 million as appearing in Appendix I of the 2019 Financial Estimates for the first half of 2019, has in fact been exceeded, reaching €47.29 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.

7. 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 2019, and a comparison of the revised forecasts of debt for the entire year with the 2019 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 half of 2019.

7.1 Debt Developments

Debt-to-GDP ratio in 2018 continued on a sustained downwards trajectory, declining by 4.3 percentage points to reach 46.0 per cent of GDP. These positive developments are primarily supported by a strong and sustainable rate of economic growth and a healthy state of public finances. General Government debt developments and prospects are illustrated in Table 7.1.

The 2019 estimated General Government debt-to-GDP ratio as presented in the 2019 Budget has been revised downwards by 1.1 percentage points, to 42.7 per cent of GDP. This mainly reflects the better than expected fiscal outcomes in 2018, and more buoyant macroeconomic environment, supported by sustained economic growth expectations.

The contractionary impact of the primary balance on the debt-to-GDP ratio decreased from 2.7 percentage points in the 2019 estimates to 2.3 percentage points in the 2019 revised level, reflecting the revised budgetary targets explained earlier. The expansionary impact that interest expenditure is expected to have on gross debt has been reduced by 0.1 percentage points from the 2019 Autumn estimates. The expansionary impact of the stock-flow adjustment on the debt-to-GDP ratio has remained unchanged in the 2019 revised projections when compared to the 2019 estimates presented in the budget.

The implicit interest rate on debt remained constant at the 3.3 per cent presented in the 2019 Budget estimates. The share of maturing stock in total Government debt is 7.6 per cent.

7.2 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, 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.

Appendix Table 9 illustrates the Statement of General Government sector debt. Actual General Government public debt as at 30 June 2019 stood at €5,835.9 million. The outstanding MGS decreased by €61.5 million. The outstanding Malta Government Retail Savings Bonds balance stood at €291.2 million, an increase of €98.3 million, whilst the stock of T-Bills declined by €2.2 million and stood at €332.8 million as at end June 2019. The outstanding levels of debt held by EBU's and Local Councils increased by circa €15.3 million whilst the level of Euro coins issued in the name of the Treasury went up by €5.5 million when compared to the coin stock as at the end of June 2018. The foreign loans outstanding balance (92% denominated in euro) as at 30 June 2019 stood at €1.03 million down by €0.2 million over the corresponding period of last year. On the other hand, the Euro coins issued in the name of the Treasury were revised downwards by around €1.0 million when compared to the amounts originally published in the Financial Estimates.

General Government (S.13) Debt Developments and Prospects

Table 7.1

	ESA Code	2018 % GDP	2019[af] % GDP	2019[sf] % GDP
1. **Gross Debt**[(a)]		**46.0**	**43.8**	**42.7**
2. Change in Gross Debt ratio		-4.3	-3.1	-3.2
Contributions to changes in Gross Debt				
3. Primary Balance		-3.6	-2.7	-2.3
4. Interest Expenditure	D.41	1.5	1.5	1.4
5. Stock-flow adjustment		1.9	1.6	1.6
p.m.: Implicit interest rate on debt[(c)] (%)		3.3	3.3	3.3
Other relevant variables				
Percentage of debt related to foreign loans[(d)] (%)		0.0	0.0	0.0
Average MGS maturity (years) [(e)]		9.2	-	8.7
Real GDP growth (%)		6.7	5.3	6.2

Notes:

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

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

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

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

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

(d) The outstanding balance of foreign loans is overwhelmingly held in domestic currency and a negligible amount is held in foreign currency.

(e) For 2019[sf], data refers to position as at end June 2019.

The outstanding level of General Government debt as at the end of 2019 has been revised upwards by €95.7 million, when compared to the Budget estimates for 2019, published in October 2018, mainly due to the reclassification of certain PPPs within general Government as recommended by Eurostat, higher estimated outstanding balance for EBU's and Local Councils and higher estimated levels of T-bills.

7.3 Main developments in the Euro zone sovereign bond market during H1-2019

The 1st of January 2019 marked the end of the stimulative net purchases by the ECB under the APP programme following 45 months during which the ECB purchased more than 2.1 trillion worth of euro area government bonds. However, due to various factors including economic and political factors, the month of January was marked by a change in market expectations about the future monetary policy stance of the world's largest central banks These factors increased the financial market volatility and dragged down the sovereign bond yields. In case of Malta, during the month of January, the 10-year yield declined by around 17 bps and closed the month at 1.14%.

As 2019 unfolded, the economic data continued to be weak especially in the manufacturing sector which impacted negatively the global trade. Major central banks on both sides of the Atlantic have come under pressure to ease monetary policy to keep inflation expectations from falling further on the backdrop of slowing global growth, increased trade protectionism and weak economic data.

As a result of weak incoming data, in March 2019, the ECB's projections of growth outlook for 2019 were revised downwards substantially. In the March meeting, the ECB adjusted its forward guidance on the key interest and indicated that they will remain at their present levels at least through the end of 2019, as well reiterated its forward guidance on reinvestments of principal payments from maturing securities purchased under the asset purchase programme.

Moreover, the ECB decided to launch a new series of targeted longer-term refinancing operations and to continue conducting all lending operations as fixed rate tender procedures with full allotment at least until the end of the reserve maintenance period starting in March 2021.

As a result of the possible spill-overs of the Federal Reserve System's communication which was interpreted by the markets a signal of a slower intended pace of monetary policy tightening and the deterioration in the macroeconomic outlook, the euro area yields declined further.

Between mid-December and the first week of March, with the exception of the Italian market, the sovereign bond markets were largely stable. Between the beginning of February and the first week of March, the 10-year yield of the majority of euro area countries declined. During the said period, Malta's 10-year yield declined by further 3 bps and at 7th March the 10-year yield stood at 1.11%.

In the June ECB meeting, the Council noted that despite the better than expected data in the first quarter, the latest data shows that the underlying growth momentum continued to soften in early 2019. With inflation well below the central bank's target and not predicted to pick up soon, the ECB also abandoned talk of rate rises in favour of discussions for more stimulus. It is to be noted that previously, the European Central Bank had suggested that policy rates could rise in 2019. Global growth is expected to decelerate amid high and rising policy and political uncertainty and the resurgence of trade tensions between the United States and China since early May. Based on the latest Developments, the ECB kept the interest rates unchanged and adjusted the forward guidance on the key ECB interest rates to indicate its expectation that they will remain at their present level as least through the first half of 2020. This announcement continued to drag further down the yields of the euro area.

For the first time in three years, on the 21st March 2019 yields on German ten-year government bonds fell below zero and swung from negative to just above zero up to 6th May 2019. From 7th May up to 30th June 2019 the 10-year bund was always in the negative domain hitting its lowest value of minus 33 bps on 25th June and 28th June. In Malta's case, between 7th

March and 30th April the 10-year declined by 7bps bps from 1.11% to 1.04%. In May, the 10-year MGS yield declined further by another 13 bps and at the end of May it stood at 0.91%. During the month of June, the 10-year MGS yield declined further by 28 bps from the 0.91% recorded on 31st May to 0.63% recorded on 28th June.

7.4 Primary Market

During the first semester of 2019, the Treasury tapped the market twice offering a Malta Government Stocks issue in February and a 62+ Malta Government Savings Bond in March.

In the February MGS issue the Treasury re-opened the two stocks which were first offered in the December 2018 namely the 5-year 1.4% MGS 2024 (III) and the 10-year 1.85% MGS 2029 (III) to build up liquidity in these issues. This issuance was offered via a competitive auction targeting institutional investors.

The amount on issue was €50 million, with an over-allotment option of a further €30 million. Total participation in the first MGS issuance of the year amounted to €135.3million (€119.8 million in the 1.4% MGS 2024 and €15.5 million in the 1.85% MGS 2029), resulting in a bid-to-cover of 2.71x. In this issuance, the Treasury allotted €80 million - €67 million in the 1.4% MGS 2024 and €13 million in the 1.85% MGS 2029.

The 62+ Malta Government Savings Bond is a financial product specifically targeting a specific segment of retail investors. This year's issuance was open for all individuals born in 1957 or before and had similar conditions to those of past issuances that is (1) a rate of interest of 3% per annum fixed for five (5) years until the maturity of the bond in 2024, (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 were hit hard by the low interest rate environment. Most of the individuals in this segment rely on the interest receivable from their past savings to supplement their income from pension.

The amount on issue was €65 million, with an over-allotment option of further €35 million. The issuance was oversubscribed by €5.725 million and the Treasury exercised the over-allotment option of €35 million and allotted just above €99.7 million.

By end of June, the Treasury raised 40% of the maximum funding requirements for this year which are not expected to exceed €450 million. The Treasury is planning to complete the programme for this year by issuing two to three more issuances of Malta Government Stocks in H2 - 2019.

As at 30th June 2019, the Weighted Average Maturity (WAM) of the MGS portfolio which represents 88.3% of the total Central Government Debt Portfolio[2] stood at 8.7 years, 0.5 years lower than that reported at end of June 2018. The weighted average maturity of the central government debt portfolio as at end of the June 2019 stood at 7.9 years against 8.5 years registered in June 2018.

7.4.1 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 €522.9 million (nominal) and were mostly allotted in the 91-day tenor (87.3%). This was equivalent to an average of €20.1 million per issuance and worked out to an increase of 7.5% over the weekly average for the same period of last year. The total redemptions in the first six months of the year amounted to €480.1 million (2018: €329 million).

During the first six months of the year, the 91-day-tenor was issued at weighted average rate of minus 0.349% and below the average 3-month Euribor of minus 0.312% registered for the same period of year.

In H1-2019, all T-Bills issuances were allotted at negative interest and the Treasury earned €507,881 in negative interest. This amount was

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

slightly lower when compared to the corresponding period of last year (H1-2018: €527,444) on account of overall lower weighted average yield in line with Euribor movement which more than offset the interest received from higher volumes of T-Bills issued in H1-2019.

8. 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.

In 2018, the general Government surplus stood at 2.0 per cent of GDP. The structural balance reached a surplus of 1.6 per cent of potential GDP in 2018, well above the medium-term objective of a balanced budgetary position in structural terms. The recent fiscal developments were supported by strong and sustainable economic growth, which supported a robust growth in direct tax revenue, the proceeds from the International Investor Programme and prudent fiscal management. When excluding proceeds from the IIP, the budget balance would still be in a surplus position in 2018, both in nominal and structural terms. On account of these developments, the debt-to-GDP ratio, which in 2017 was already below the 60 per cent of GDP threshold, has declined further to 46.0 per cent of GDP in 2018.

The outlined developments were in full compliance with the provisions of both the Stability and Growth Pact (SGP) and the FRA. Indeed, Malta complied with the national budget balance rule with a margin and remained well above its MTO of a balanced budgetary position in structural terms. Government debt has declined below the 60 per cent reference value in 2015 and has fallen continuously ever since.

During the current fiscal year, developments in the revenue and expenditure ratios to GDP are expected to result in a general Government surplus of 0.9 per cent of GDP. It is nevertheless worth noting, that the 2019 general Government balance includes statistical reclassifications within general Government as recommended by Eurostat and pre-financed EU funded expenditure of which the national co-financing element influences the fiscal balance in 2019. Based on the Ministry's macroeconomic projections and estimates of the business cycle generated using the commonly agreed methodology, and expected developments in one-off and other temporary measures, the outlined trajectory is translated into a structural balance of 0.7 per cent of potential GDP in 2019, continuing to exceed the MTO of a balanced budget in structural terms.

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 42.7 per cent of GDP in 2019.

9. Statistical Annex

Main Macroeconomic Indicators

Table 1

	2016[1]	2017[1]	2018[1]	2019[af]	2019[sf]
GDP growth at current Market Prices (%)	**7.1**	**9.3**	**9.0**	**7.7**	**9.3**
GDP growth at chain-linked volumes by period (reference year 2010)	**5.6**	**6.8**	**6.7**	**5.3**	**6.2**
Expenditure Components of GDP chain-linked volumes by period (reference year 2010)					
Private Final Consumption Expenditure[2]	2.4	3.4	7.3	4.1	5.8
General Government Final Consumption Expenditure	-2.8	2.1	12.8	8.2	11.6
: net of Individual Investor Programme (IIP) proceeds	*4.1*	*5.5*	*6.9*	*5.8*	*7.3*
Gross Fixed Capital Formation	-0.3	-7.5	-1.6	8.4	13.7
Exports of Goods and Services	4.5	5.4	1.7	2.2	2.4
: net of Individual Investor Programme (IIP) proceeds	*3.7*	*5.3*	*2.4*	*2.6*	*2.8*
Imports of Goods and Services	1.6	0.4	2.4	2.2	3.4
Contribution to GDP growth:					
Domestic Demand	0.6	0.1	4.9	5.0	7.0
Inventories	0.3	-1.0	2.4	0.0	0.0
Net Exports	4.7	7.7	-0.5	0.3	-0.8
Inflation rate (%)	**0.9**	**1.3**	**1.7**	**1.9**	**1.9**
Employment growth (%)[3]	**4.3**	**8.1**	**5.3**	**3.7**	**4.6**
Unemployment rate (%)	**4.7**	**4.0**	**3.7**	**4.1**	**3.8**
Potential GDP growth	**7.2**	**7.5**	**6.8**	**6.2**	**6.5**
Output Gap	**1.4**	**0.7**	**0.6**	**0.1**	**0.4**

Notes:

af - Autumn (Budget) Forecasts

sf - Spring (Revised) Forecasts

(1) Actual data Source: NSO News Release No. 090/2019 - GDP Release 2019/Q1

(2) Includes NPISH final consumption expenditure

(3) LFS resident population concept definition

Half-Yearly Budgetary Execution on Cash Basis in ESA codes[1]

Table 2

	Jan-June 2018 *Actual* *€ 000*	Jan-June 2019 *Actual* *€ 000*
Consolidated Fund[2]	**-141,909**	**-156,166**
1. **Total Revenue**	**1,801,406**	**2,030,717**
Taxes, of which:	1,313,817	1,478,969
Current Taxes on Income, Wealth, etc	624,842	725,011
Taxes on Production and Imports, of which:	688,975	753,958
VAT	391,240	448,100
Social Contributions	349,519	373,447
Market Output	45,317	51,268
Current Transfers	6,748	11,280
Capital Transfers	33,778	74,259
Property Income	52,226	41,495
2. **Total Expenditure**	**1,943,315**	**2,186,883**
Intermediate Consumption	212,689	337,617
Compensation of employees	479,655	508,262
Interest	103,501	94,642
Subsidies	36,569	43,650
Social Benefits	583,170	592,381
Current Transfers	461,138	484,347
Capital Transfers Payable	3,423	16,449
Capital Investment	63,169	109,535

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 3

		Jan - Dec 2018 *Actual* €000	Jan - Dec 2019 *Approved Estimate* €000	Jan - Jun 2018 *Actual* €000	Jan - Jun 2018 *Actual as a % of 2018*	Jan - Jun 2019 *Actual* €000	Jan - Jun 2019 *Actual as a % of 2019*
Recurrent Expenditure							
1	Office of the President	6,086	5,401	2,790	45.8	2,457	45.5
2	House of Representatives	5,739	10,275	2,669	46.5	4,368	42.5
3	Office of the Ombudsman	1,150	1,300	800	69.6	700	53.8
4	National Audit Office	3,400	3,500	1,995	58.7	2,030	58.0
5	Office of the Prime Minister	40,157	62,497	16,525	41.2	22,373	35.8
6	Information	1,103	1,367	515	46.7	533	39.0
7	Government Printing Press	1,453	1,541	722	49.7	716	46.5
8	Electoral Office	3,431	7,585	1,057	30.8	3,620	47.7
9	Public Service Commission	645	705	297	46.0	326	46.2
10	Ministry for Health	582,868	637,002	281,599	48.3	311,363	48.9
11	Ministry for the Economy, Investment and Small Businesses	19,798	20,911	9,196	46.4	9,505	45.5
12	Commerce	1,521	1,796	696	45.8	666	37.1
13	Ministry for Education and Employment	298,877	307,689	146,143	48.9	130,901	42.5
14	Education	263,602	282,947	123,134	46.7	141,047	49.8
15	Ministry for Energy and Water Management	99,509	89,310	52,423	52.7	42,176	47.2
16	Ministry for European Affairs and Equality [Implementation of the Electoral Manifesto]	20,109	23,779	9,093	45.2	9,650	40.6
17	Industrial and Employment Relations	1,354	1,529	654	48.3	720	47.1
18	Ministry for Finance	159,330	177,093	63,467	39.8	111,993	63.2
19	Economic Policy	1,623	1,719	797	49.1	814	47.4
20	Treasury	20,101	25,504	4,433	22.1	15,504	60.8
22	Inland Revenue	---	19,199	4,351	---	8,998	46.9
23	V.A.T.	11,408	12,178	4,280	37.5	6,077	49.9
24	Customs	1,658	1,857	5,153	310.8	810	43.6
25	Contracts	98,969	110,164	756	0.8	64,270	58.3
26	Ministry for Tourism	16,142	15,130	44,420	275.2	11,307	74.7
27	Ministry for Home Affairs and National Security	52,414	56,204	6,998	13.4	23,696	42.2
28	Armed Forces of Malta	68,802	69,349	22,697	33.0	33,989	49.0
29	Police	14,231	14,409	29,644	208.3	7,486	52.0
30	Correctional Services	1,213	1,264	6,253	515.5	557	44.1
31	Probation and Parole	5,904	6,624	473	8.0	3,257	49.2
32	Civil Protection	70,733	75,463	2,545	3.6	33,978	45.0
33	Ministry for Justice, Culture and Local Government	18,522	17,615	28,113	151.8	10,279	58.4
34	Judicial	43,536	50,702	8,527	19.6	23,538	46.4
35	Local Government	95,830	85,942	21,377	22.3	37,303	43.4
36	Ministry for the Environment, Sustainable Development and Climate Change	---	15,398	35,582	---	13,875	90.1
37	Ministry for Foreign Affairs and Trade Promotion	31,046	34,875	12,617	40.6	13,405	38.4
38	Ministry for Transport and Infrastructure	95,503	94,081	39,622	41.5	48,109	51.1
39	Ministry for Gozo	36,282	44,050	16,958	46.7	19,219	43.6
40	Ministry for the Family, Children's Rights and Social Solidarity	79,223	95,790	41,868	52.8	46,688	48.7
41	Social Policy	327,331	352,711	134,166	41.0	152,434	43.2
42	Social Security Benefits	965,229	1,029,440	497,023	51.5	512,025	49.7
43	Pensions	105,480	113,314	56,027	53.1	51,222	45.2
44	Social Welfare Standards	128,818	144,276	602	0.5	72,606	50.3
45	Elderly and Community Care	---	350	57,543	---	350	100.0
	[Energy and Projects	9,319	---		---	---	---
	[Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	10,678	---		---	---	---
	[Ministry for Competitiveness and Digital, Maritime and Services Economy	1,320	---		---	---	---
	TOTAL RECURRENT EXPENDITURE	**3,821,447**	**4,123,835**	**1,796,600**	**47.0**	**2,006,940**	**48.7**
25	Public Debt Servicing						
	Contribution to Sinking Fund - Local	1,631	---	1,631	100.0	---	---
	Contribution to Special MGS Sinking Fund	50,000	50,000	15,000	30.0	20,000	40.0
	Interest - Local	203,191	199,097	100,808	49.6	94,384	47.4
	Repayment of Loan - Local	391,695	437,227	128,987	32.9	55,787	12.8
	Early Repayment of MGRSB	568	1,500	200,912	35,371.8	876	58.4
	Contribution to Sinking Fund - Foreign	57	50	29	50.9	25	50.0
	Interest - Foreign	363	10	358	98.6	5	50.0
	TOTAL PUBLIC DEBT SERVICING	**647,505**	**687,884**	**447,725**	**69.1**	**171,077**	**24.9**
	TOTAL RECURRENT EXPENDITURE AND PUBLIC DEBT SERVICING	**4,468,952**	**4,811,719**	**2,244,325**	**50.2**	**2,178,017**	**45.3**

Central Government Finances by Expenditure Vote (Consolidated Fund)

Table 3

		Jan - Dec 2018 *Actual* *€000*	Jan - Dec 2019 *Approved Estimate* *€000*	Jan - Jun 2018 *Actual* *€000*	Jan - Jun 2018 *Actual as a % of 2018*	Jan - Jun 2019 *Actual* *€000*	Jan - Jun 2019 *Actual as a % of 2019*
Capital Expenditure							
I	Office of the President	445	675	234	52.6	272	40.3
II	House of Representatives	54	1,075	---	---	4	0.4
III	Office of the Prime Minister	41,301	45,838	14,274	34.6	20,256	44.2
IV	Ministry for European Affairs and Implementation of the Electoral Manifesto	30,796	48,806	7,858	25.5	8,353	17.1
V	Ministry for Foreign Affairs	55,684	36,445	16,207	29.1	28,043	76.9
VI	Ministry for Education and Employment	92,903	84,335	15,989	17.2	22,136	26.2
VII	Ministry for Transport and Infrastructure	48,529	34,390	2,745	5.7	20,942	60.9
VIII	Ministry for Gozo	46,476	62,397	3,503	7.5	17,344	27.8
IX	Ministry for Social Dialogue, Consumer Affairs and Civil Liberties	27,581	32,761	22,848	82.8	4,010	12.2
X	Ministry for the Economy, Investment and Small Business	26,061	28,160	5,336	20.5	4,049	14.4
XI	Ministry for Finance	20,854	37,064	5,592	26.8	5,867	15.8
XII	Ministry for the Family and Social Solidarity	21,005	23,798	2,908	13.8	4,931	20.7
XIII	Ministry for Justice, Culture and Local Government	61,498	66,460	10,912	17.7	20,493	30.8
XIV	Ministry for Tourism	2,298	2,780	808	35.2	819	29.5
XV	Ministry for Home Affairs and National Security	99,577	121,485	28,475	28.6	55,433	45.6
XVI	Ministry for Sustainable Development, the Environment and Climate Change	10,136	12,796	876	8.6	2,634	20.6
XVII	Ministry for Competitiveness and Digital, Maritime and Services Economy	19,791	22,763	4,102	20.7	3,923	17.2
	TOTAL CAPITAL EXPENDITURE	**604,989**	**662,028**	142,667	**23.6**	219,509	33.2
XI	Ministry for Finance Investment - Equity Acquisition	63,513	10,565	58,034	91.4	308	2.9
	TOTAL CAPITAL EXPENDITURE AND INVESTMENT	**668,502**	**672,593**	**200,701**	**30.0**	**219,817**	**32.7**
	TOTAL EXPENDITURE	**5,137,454**	**5,484,312**	**2,445,026**	**47.6**	**2,397,834**	**43.7**

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

Table 4

	Personal Emoluments		Operational and Maintenance Expenses		Programmes and Initiatives		Contributions to Government Entities	
	Approved Estimate 2019 *€ 000*	Actual Jan-Jun 2019 *€ 000*	Approved Estimate 2019 *€ 000*	Actual Jan-Jun 2019 *€ 000*	Approved Estimate 2019 *€ 000*	Actual Jan-Jun 2019 *€ 000*	Approved Estimate 2019 *€ 000*	Actual Jan-Jun 2019 *€ 000*
General Public Services	115,627	49,203	47,251	24,718	268,777	147,767	39,061	15,896
Defense	46,668	20,175	9,108	3,205	915	456	450	116
Public Order and Safety	105,687	51,380	13,229	8,969	6,085	3,657	9,317	5,270
Economic Affairs	63,659	30,668	11,549	6,085	142,585	75,894	135,575	82,704
Environmental Protection	8,834	2,205	519	145	54,717	28,074	30,000	11,989
Housing and Community Affairs	1,766	649	518	325	7,690	2,569	13,527	1,681
Health	297,702	138,241	68,438	29,128	218,754	117,943	55,420	28,040
Recreation, culture and religion	8,186	3,550	2,059	913	18,458	6,312	32,683	12,132
Education	253,050	117,664	14,167	8,599	165,139	91,283	127,940	41,957
Social Protection	59,813	27,862	42,858	22,752	1,586,218	763,680	39,837	23,086
Total	**960,991**	**441,597**	**209,696**	**104,838**	**2,469,338**	**1,237,636**	**483,810**	**222,870**

	Interest Expenditure		Capital Expenditure		Total expenditure	
	Approved Estimate 2019 *€ 000*	Actual Jan-Jun 2019 *€ 000*	Approved Estimate 2019 *€ 000*	Actual Jan-Jun 2019 *€ 000*	Approved Estimate 2019 *€ 000*	Actual Jan-Jun 2019 *€ 000*
General Public Services	199,107	94,218	105,261	31,648	**775,084**	**363,449**
Defense	0	0	22,284	1,888	**79,425**	**25,838**
Public Order and Safety	0	0	61,200	20,917	**195,517**	**90,194**
Economic Affairs	0	0	317,144	112,986	**670,512**	**308,336**
Environmental Protection	0	0	59,766	28,875	**153,836**	**71,288**
Housing and Community Affairs	0	0	1,530	89	**25,031**	**5,313**
Health	0	0	20,960	4,693	**661,273**	**318,046**
Recreation, culture and religion	0	0	36,279	7,514	**97,665**	**30,422**
Education	0	0	30,641	9,059	**590,937**	**268,561**
Social Protection	0	0	6,963	1,839	**1,735,689**	**839,219**
Total	**199,107**	**94,218**	**662,028**	**219,509**	**4,984,970**	**2,320,667**

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 5

	2018 Jan - Jun *€ 000*	2019 Jan - Jun *€ 000*	
Consolidated Fund Surplus / Deficit	**-141,909**	**-156,166**	1
Adjustments to the Consolidated Fund:			
Loan Repayment	0	0	
Equities, acquisitions (+)	0	0	2
Equities, sales (-)	0	0	
Other financial transactions	0	0	3
Difference between interest paid (+) and interest accrued (-)	4,839	-1,873	4
Other accounts receivable (+) and payable (-)	7,064	-60,542	5
Time-adjusted cash transactions	188,918	159,123	6
Treasury Clearance Fund flows in non-financial transactions	34,326	22,395	
Sinking Fund interests' received	1,780	2,737	
Quarterly adjustments	-28,769	-37,760	7
EFSF re-routing	-27	-20	8
Equity injection	0	0	9
Debt assumption	0	0	
Other adjustments	-68,244	-4,601	
Net Borrowing (-) / Net Lending (+) of Extra Budgetary Units	110,095	63,238	10
Net Lending (+) / Net Borrowing (-) of Local Government	4,983	4,970	11
Net Lending (+) / Net Borrowing (-) of General Government	**113,055**	**-8,500**	

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

Annual Aggregate Budgetary Targets in Accordance with ESA standards

Table 6

	ESA Code	2018 *% GDP*	2019[af] *% GDP*	2019[sf] *% GDP*
Net lending (+)/Net borrowing (-) by sub-sector				
1. General Government	S.13	2.0	1.3	0.9
2. Central Government	S.1311	2.0	1.3	0.9
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	38.8	39.1	38.1
7. Total Expenditure	TE	36.8	37.8	37.2
8. Interest Expenditure	D.41	1.5	1.5	1.4
9. Primary Balance [(a)]		3.6	2.7	2.3
10. One-off and other temporary measures [(b)]		0.1	0.0	0.0
11. Real GDP growth (%)		6.7	5.3	6.2
12. Potential GDP growth (%)		6.8	6.2	6.5
13. Output Gap (%)		0.6	0.1	0.4
14. Cyclical Budgetary Component		0.3	0.0	0.2
15. Cyclically-Adjusted Balance (1 - 14)		1.7	1.2	0.7
16. Cyclically-Adjusted Primary Balance (15 + 8)		3.2	2.7	2.1
17. Structural Balance (15 - 10)		1.6	1.2	0.7

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 7

Vote	Ministry/Department	Outstanding Creditors 2018Q4 €	2019Q2 €
1	Office of the President	58,276	33,898 [5]
2	House of Representatives	58,371	61,017
5	Office of the Prime Minister	0	3,704,558 [5]
	Government Property Division	44,400,424	44,400,424 [4]
6	Information	2,009	13,402
7	Government Printing Press	0	211,698
8	Electoral Office	3,218	194,275
9	Public Service Commission	0	0
10	Ministry for Health	1,668,868	4,837,286 [2]
	Mater Dei Hospital	10,729,572	11,600,073 [5]
	Government Pharmaceutical Services	29,932,464	23,926,610 [5]
	Sir Anthony Mamo Oncology Centre	682,555	1,201,291 [3]
	Primary Health Care	670,330	927,857 [2]
11	Ministry for the Economy, Investment and Small Business	23,100	68,443 [2]
12	Commerce	166,517	148,519 [2]
13	Ministry for Education and Employment	2,358,228	16,890,959 [2]
14	Education	368,383	2,224,746 [5]
15	Ministry for Energy and Water Management	185	8,038,189 [2]
16	Ministry for European Affairs and Equality	53,239	91,670 [2]
17	Industrial and Employment Relations	99,481	0 [2]
18	Ministry for Finance	1,122,635	1,148,283 [2]
19	Economic Policy	122,869	4,620 [2]
20	Treasury	13,523	1,247,455 [2]
22	Commissioner for Revenue	0	0
	Inland Revenue	1,411,167	303,946
	VAT	113,831	0 [4]
23	Customs	87,607	107,070 [2]
24	Contracts	0	9,982
25	Ministry for Tourism	23,744	121,927 [2]
	Institute of Tourism Studies	265,086	117,923 [5]
26	Ministry for Home Affairs and National Security	4,246	118,318 [3]
27	Armed Forces of Malta	104,033	311,834 [2]
28	Police	196,763	270,085 [2]
29	Correctional Services	106,518	1,085,486 [2]
30	Probation and Parole	0	0
31	Civil Protection	113,592	115,188 [2]
32	Ministry for Justice, Culture and Local Government	96,484	7,403,110 [5]
	Notary to Government	3,715	71,073 [5]
	Attorney General	2,104	482
33	Judicial	155,440	1,211,581
34	Local Government	784	36,112
35	Ministry for Environment, Sustainable Development and Climate Change	655,930	4,043,812 [2]
36	Ambjent Malta		50,021 [2]
37	Ministry for Foreign Affairs and Trade Promotion	820,923	976,318
38	Ministry for Transport, Infrastructure and Capital Projects	5,765,022	16,801,463
	Cleansing and Maintenance Department	76,220	105,625 [2]
39	Ministry for Gozo - Corporate	94,637	427,213 [5]
	Ministry for Gozo - Customer Services	21,564	438,773 [2]
	Ministry for Gozo - Projects & Development	12,708	213,180 [5]
40	Ministry for the Family, Children's Rights and Social Solidarity	216,832	68,059 [3]
41	Social Policy	53,710	22,400
42	Social Security Benefits	1,500,000	5,134,949
43	Pensions	0	0
44	Elderly and Community Care	23,499,774	21,925,335 [5]
45	Commissioner for Standards in Public Life	0	0
	Total Outstanding Creditors	**127,936,682**	**182,466,536**

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 2019Q2 was reduced to 8 working days.

2. Provisional data, yet to be validated.
3. The latest data submitted is for 2018Q4.
4. The latest data submitted is for 2018Q3.
5. Data for 2019Q2 is yet not sent as per requested deadline, figures shown are for 2019Q1.
6. The accruals data, collected by the Treasury Department, is used by the NSO to compile the General Government Sector deficit/surplus. For this purpose, 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 8

	Net Collectable Arrears as on 31/12/17	As published in 2019 Financial Estimates	Target			Arrears Collected		
	€	€	Quarter 1 €	Quarter 2 €	Total €	Quarter 1 €	Quarter 2 €	Total €
Office of the Prime Minister	69,615	6,962	1,740	1,740	3,481	4,303	1,010	5,313
Malta Gaming Authority	3,634,016	363,402	90,850	90,850	181,701	0	14,633	14,633
MCA	246,412	24,641	6,160	6,160	12,321	33	63	96
TV Licences	4,003,461	400,346	100,087	100,087	200,173	0	0	0
Information	9,591	959	240	240	480	0	0	0
Government Printing Press	371,624	37,162	9,291	9,291	18,581	210	5,637	5,847
Electoral Office	0	0	0	0	0	0	0	0
Public Service Commission	0	0	0	0	0	0	0	0
	8,334,719	833,472	208,368	208,368	416,736	4,546	21,343	25,889
Ministry for Health								
Government Pharmaceutical Services	4,091,486	409,149	102,287	102,287	204,574	0	0	0
Health Department	1,599,774	159,977	39,994	39,994	79,989	143,268	223,584	366,852
Mater Dei Hospital	6,218,033	621,803	155,451	155,451	310,902	0	2,449	2,449
Primary Health Care	3,068	307	77	77	153	0	0	0
Sir Anthony Mamo Oncology Centre / Sir Paul Boffa	15,278	1,528	382	382	764	0	0	0
	11,927,639	1,192,764	298,191	298,191	596,382	143,268	226,033	369,301
Ministry for Economy, Investment and Small Businesses								
Commerce Department	336,902	33,690	8,423	8,423	16,845	17,670	5,181	22,851
	336,902	33,690	8,423	8,423	16,845	17,670	5,181	22,851
Ministry for Education and Employment								
Ministry	3,043,409	304,341	76,085	76,085	152,170	643	451	1,094
Education	213,043	21,304	5,326	5,326	10,652	13,381	8,774	22,155
	3,256,452	325,645	81,411	81,411	162,823	14,024	9,225	23,249
Ministry for Energy and Water	---	1,435	359	359	717	14,349	0	14,349
Ministry for European Affairs and Equality	14,320	1,432	358	358	716	380	0	380
Industrial and Employment Relations	89,251	8,925	2,231	2,231	4,463	490	965	1,455
	103,571	10,357	2,589	2,589	5,179	870	965	1,835
Ministry for Finance								
Ministry	31,661	3,166	792	792	1,583	10,602	9,904	20,506
Economic Policy	3,176	318	79	79	159	0	0	0
Treasury	0	0	0	0	0	0	0	0
Inland Revenue	266,958,492	26,695,849	6,673,962	6,673,962	13,347,925	11,640,588	14,777,843	26,418,431
V.A.T.	109,264,265	10,926,427	2,731,607	2,731,607	5,463,213	1,507,256	13,859,798	15,367,054
Customs	14,858,366	1,485,837	371,459	371,459	742,918	10,924	14,408	25,332
Contracts	143,213	14,321	3,580	3,580	7,161	0	0	0
	391,259,173	39,125,917	9,781,479	9,781,479	19,562,959	13,169,370	28,661,953	41,831,323
Ministry for Tourism	1,094,225	109,423	27,356	27,356	54,711	12,355	21,770	34,125
Ministry for Home Affiars and National Security								
Security	33,278	3,328	832	832	1,664	0	0	0
Armed Forces of Malta	178,675	17,868	4,467	4,467	8,934	0	100	100
Police	437,011	43,701	10,925	10,925	21,851	14,835	10,569	25,404
Correctional Services	618	62	15	15	31	0	0	0
Civil Protection	9,750	975	244	244	488	0	0	0
Probation and Parole	0	0	0	0	0	0	0	0
	659,332	65,933	16,483	16,483	32,967	14,835	10,669	25,504

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

Table 8

	Net Collectable Arrears as on 31/12/17	As published in 2019 Financial Estimates	Target			Arrears Collected		
			Quarter 1	Quarter 2	Total	Quarter 1	Quarter 2	Total
	€	€	€	€	€	€	€	€
Ministry for Justice, Culture and Local Government								
Ministry	2,075	208	52	52	104	0	0	0
Attorney General	318,051	31,805	7,951	7,951	15,903	27,459	19,725	47,184
Notary to Government	850	85	21	21	43	0	0	0
Judicial (a)	9,900,491	990,049	247,512	247,512	495,025	171,828	170,033	341,861
Local Government	0	0	0	0	0	0	0	0
	10,221,467	1,022,147	255,537	255,537	511,073	199,287	189,758	389,045
Ministry for the Environment, Sustainable Development, and Climate Change	1,255,374	125,537	31,384	31,384	62,769	829	33,132	33,961
Ministry for Foreign Affairs and Trade Promotion	196,605	19,661	4,915	4,915	9,830	437	437	874
Ministry for Transport and Infrastructure								
Ministry	1,141,805	114,181	28,545	28,545	57,090	232,273	3,981	236,254
Transport Malta (b)	1,500,000	150,000	37,500	37,500	75,000	11,901		11,901
Government Property Division	33,145,601	3,314,560	828,640	828,640	1,657,280	1,180,921	543,999	1,724,920
	35,787,406	3,578,741	894,685	894,685	1,789,370	1,425,095	547,980	1,973,075
Ministry for Gozo	817,974	81,797	20,449	20,449	40,899	17,295	1,120	18,415
Ministry for Family, Children's Rights and Social Solidarity								
Social Security Benefits	22,723,417	2,272,342	568,085	568,085	1,136,171	936,762	1,103,815	2,040,577
Pensions	39,347,346	3,934,735	983,684	983,684	1,967,367	0	500,000	500,000
Social Welfare Standards (c)	2,625	263	66	66	131	---	---	---
Elderly and Community Care	4,321,203	432,120	108,030	108,030	216,060	757	0	757
	66,394,591	6,639,459	1,659,865	1,659,865	3,319,730	937,519	1,603,815	2,541,334
Total			*13,291,494*	*13,291,494*	*26,582,989*	*15,971,749*	*31,333,380*	***47,305,129***

Notes:

(a) The amount reported in Table 9 is cash. Furthermore, an amount of €138,641 was reported as fines, revoked, cancelled or converted into imprisonment.

(b) Transport Malta has not submitted the amount for arrears collected for quarter 2.

(c) Amounts have been recovered during 2018.

Statement of General Government Sector Debt

Table 9

	Jan-Dec 2018 *Actual* *€ 000*	Jan-Dec 2019 *Budget Estimate* *€ 000*	Jan-Jun 2018 *Actual* *€ 000*	Jan-Jun 2019 *Actual* *€ 000*	Jan-Dec 2019 *Revised Estimate* *€ 000*
General Government Debt					
Malta Government Stocks (MGS)	4,709,421	4,741,449	4,799,380	4,737,850	4,620,508
Malta Government Retail Savings Bonds (MGRSB)	192,582	191,000	192,956	291,248	290,296
Treasury Bills	290,000	304,608	335,000	332,800	341,808
Foreign Loans	1,084	965	1,243	1,027	964
EBU's and Local Councils	184,147	154,806	166,643	181,667	184,147
Currency	84,431	96,056	80,474	85,977	95,018
Rerouting/PPP adjustments	31,890	0	22,569	34,191	51,890
EFSF (Debt Re-Routing)	171,189	171,189	171,189	171,189	171,189
Total	**5,664,744**	**5,660,073**	**5,769,454**	**5,835,949**	**5,755,820**
Public Debt Servicing					
Local Loans					
Interest - Short Term Borrowing (Treasury Bills)	0	1,232	0	0	526
Interest (MGS/MGRSB)	203,191	197,865	100,607	94,212	194,848
(A) Total Interest - Local Loans	**203,191**	**199,097**	**100,607**	**94,212**	**195,374**
Contributions to Sinking Funds	1,631	0	1,631	0	0
Contribution to Special MGS Sinking Fund	50,000	50,000	15,000	20,000	50,000
Direct Loan Repayment	391,694	437,227	128,987	55,787	437,227
Early Repayment of MGRSB	568	1,500	201	1,047	2,000
(B) Direct Loan repayments including Early Repayments of MGRSB and Contributions to Sinking Funds	**443,893**	**488,727**	**145,819**	**76,834**	**489,227**
Total Servicing of Local Loans (A + B)	**647,084**	**687,824**	**246,426**	**171,046**	**684,601**
Foreign Loans					
Interest	363	10	358	5	10
Contributions to Sinking Funds	57	50	29	25	50
Total Servicing of Foreign Loans	**420**	**60**	**387**	**30**	**60**

Malta Government Debt Securities/Debt Instruments with maturities of more than one year

	€ 000s
The amount of Malta Government Debt Securities/Debt Instruments to be issued during 2019 shall not exceed	450,000
Total amount of Malta Government Debt Securities/Debt Instruments issued to date	179,713
The total amount of Malta Government Debt Securities to be issued in H2 of 2019 shall not exceed	270,287