



MALTA: HALF YEARLY REPORT 2024

**In line with Article 39(7) of the Fiscal
Responsibility Act**

Ministry for Finance

July 2024

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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 2024.

Clyde Caruana
Minister for Finance

1. Introduction

This year's Half Yearly Report is prepared in accordance with Article 39(7) of the Fiscal Responsibility Act (Cap. 534) and is the ninth report since the enactment of the act.

This report focuses on developments in the first half of 2024. More specifically this report provides an analysis of the macroeconomic and fiscal developments in the first six months of 2024. It is also worth noting that considering the new fiscal rules under the Economic Governance Review (EGR) framework, the forecasts being presented in this report will reflect the ones presented in the draft budgetary plan for 2024. An updated set of forecasts for the macroeconomic developments and the revenue and expenditure commitments will be presented in the Medium Term Fiscal Structural Plan in the beginning of Autumn of this year.

The latest economic developments indicate a stronger than expected growth rate in 2024 primarily driven by a robust economic performance in 2023 and a stronger than expected performance in the tourism industry. Inflationary pressures have also subsided and are expected to further stabilise in the short term, possibly creating an upside risk in terms of consumption. In the first half of 2024 Government revenue recorded a notable increase. Such a development is consistent with the favourable macroeconomic conditions during the period under review and higher efficiency in tax collections. Expenditure, though also more dynamic, is attributable to variable seasonal conditions related to the timing of specific payments.

These developments are encouraging in terms of deficit targets as revenue increases are outpacing the expenditure counterpart. Nonetheless, control of the expenditure component is imperative as the new fiscal rules are heavily reliant on a single net expenditure indicator which relies on controlled expenditure growth.

2. Overview of the Macroeconomic Situation

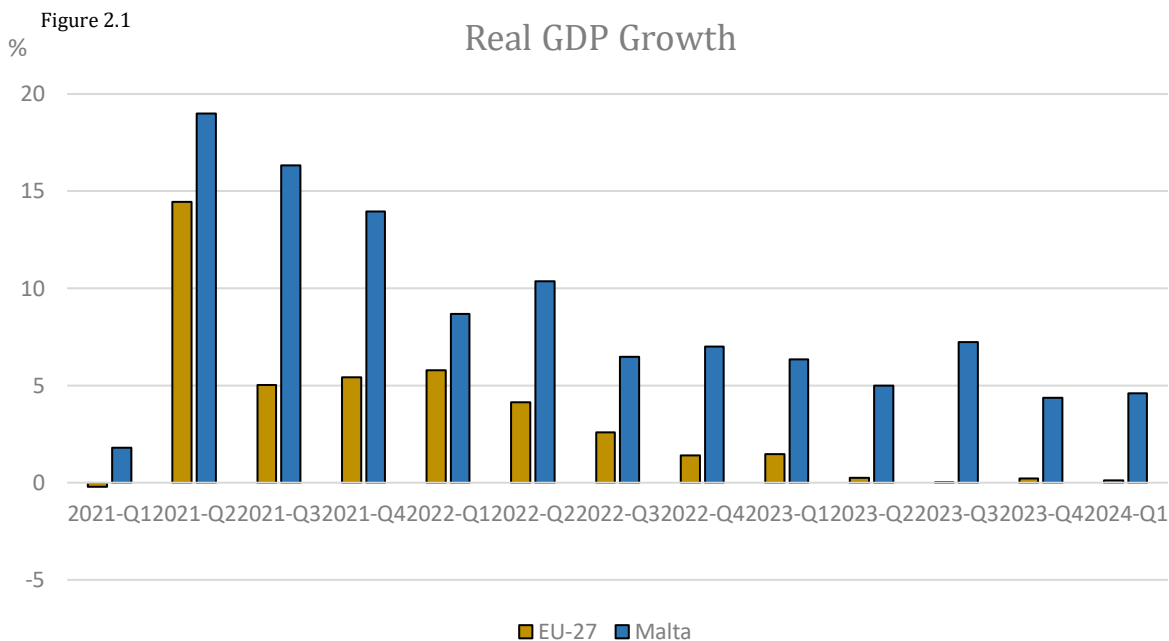
This section provides an update on macroeconomic developments since the Budgetary projections, with a specific focus on outturn data for the first months of 2024.

2.1 Latest Economic Conditions

The Maltese economy entered this year upon a strong footing, with real GDP growing by 5.7 per cent in 2023, exceeding expectations. Such growth was driven primarily by the external side of the economy, which remained relatively unaffected by the external slowdown as Malta maintained its competitiveness. Malta's economic growth in 2023 stands out in comparison to the growth rate of 0.4 per cent recorded in both the EU and EA, indicating the Maltese economy's resilience amidst a weak external environment. As a result, net exports contributed 7.3 percentage points to real GDP growth. In contrast, domestic demand detracted 1.5 percentage points, largely reflecting a decline in investment due to base effects from substantial investment in transport equipment in the previous year. On the other hand, consumption continued to record significant growth in line with a resilient labour market. This positive performance continued in the first months of 2024.

During the first quarter of 2024, the Maltese economy grew by 4.6 per cent in real terms and by 8.4 per cent in nominal terms compared to the corresponding period in the previous year. Net exports re-emerged as the main driver of economic growth, contributing 3.5 percentage points, partly because of the strong performance of the tourism industry. Domestic demand posted a positive contribution of 1.0 percentage point, driven by private consumption, which was supported by a persistently strong labour market and lower inflation, enabling the recovery of households' purchasing power. Nonetheless, consumption appears to be normalising, following a period of strong increases owing to temporary demand-side factors, including pent-up demand and the release of excess savings accumulated during the pandemic.

In the first quarter of 2024, total Gross Value Added (GVA) increased by 6.7 per cent in nominal terms compared to the same period last year. This growth was broad-based, with the Real estate activities sector experiencing the largest growth rate of 22.0 per cent, followed by Financial and insurance services (12.1 per cent), Construction (11.4 per cent), Public administration, education, and human health (7.5 per cent), and Professional and administrative services (6.5 per cent). Consequently, the Services sector was the main driver of overall growth, contributing 6.7



percentage points to total GVA growth. In contrast, the Industrial sector produced a drag of 0.1 percentage points due to a decline in the non-Manufacturing industrial sector.

From the income side, total compensation of employees grew by 9.6 per cent during the first quarter reflecting a 5.8 per cent increase in employment. This growth outpaced the growth in gross operating surplus, which rose by 3.9 per cent. This constitutes a sharp slowdown from the double-digit growth rates recorded in the previous three years, as firms adjust to the normalisation of demand experienced in the first quarter of this year. Moreover, taxes less subsidies on production and imports surged by 34.4 per cent, mainly due to a rise in indirect taxation.

Over the coming months, economic activity is expected to remain robust. Domestic demand is anticipated to remain supported by the labour market, which remains a particularly strong source of economic growth in Malta. This is coupled with the ongoing recovery in household purchasing power in line with the disinflationary process. From the external side, major trading partners appear to be gradually recovering following a period of stagnation. Meanwhile, global financial conditions remain relatively

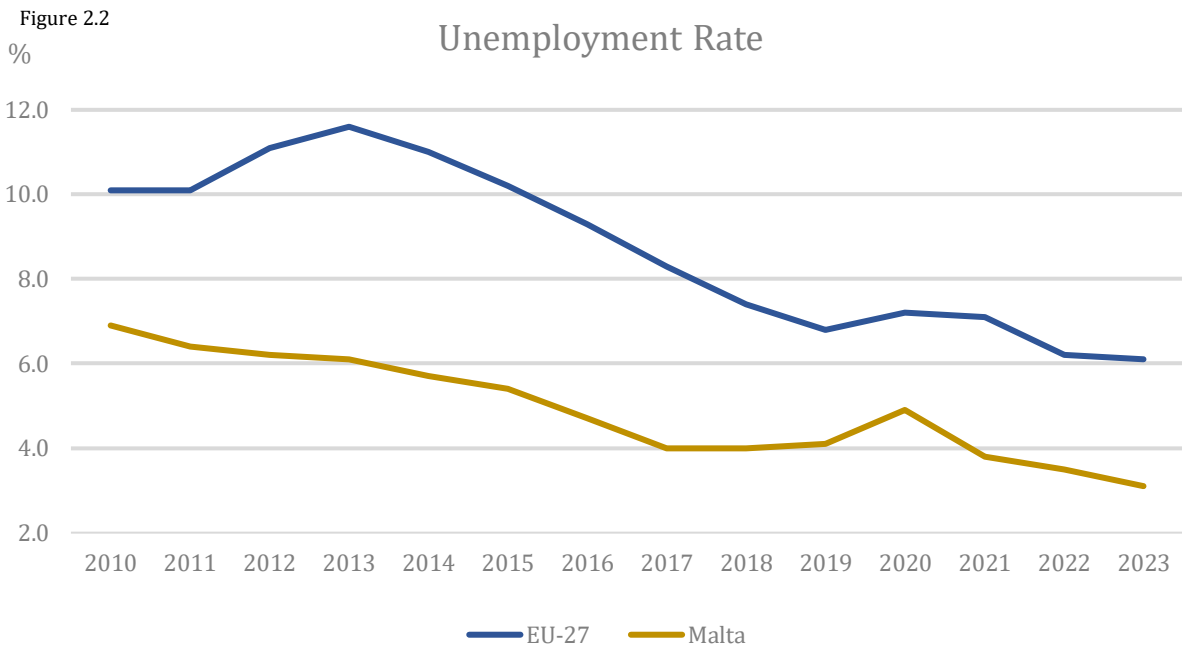
tight, showing early signs of easing as global inflation subsides. Albeit still relatively weak, this improvement in the global external outlook should support exports in the coming months. Moreover, during the first months of the year, the tourism industry has exceeded expectations, and recent data suggests that this positive performance is likely to persist throughout the summer period.

2.1.1 Labour Market

The labour market maintained its momentum in the first quarter of the year. Labour demand remained strong across all sectors, reflecting sustained economic activity, and supported by a growing labour supply. Consequently, during the first quarter of 2024, headcount employment increased by 5.8 per cent, with job creation particularly notable in the Services sector.

Continued labour demand, a result of broad-based sectoral growth, together with persistent labour shortages, maintained a historically low unemployment rate (harmonised definition) over the course of 2023, averaging at 3.1 per cent, compared to the EU average of 6.1 per cent¹. This positive trend persisted during the first five months of this year, with Malta recording the fourth lowest unemployment rate in the EU in

¹ Figures are not seasonally-adjusted.



May 2024 (3.3 per cent) ranking after the Czech Republic, Poland, and Slovenia respectively.

2.1.2 Prices

The disinflationary process continued during the first six months of 2024, where the annual HICP inflation in Malta stood at 2.2 per cent in June 2024. This figure represents a significant decrease from the 3.7 per cent recorded in January 2024 and is now below the inflation rates of both the EU and EA inflation, which stand at 2.6 per cent and 2.5 per cent, respectively.

Food inflation was the primary contributor to the decline in inflation during the first months of 2024, reflecting a drop in international food commodity prices, as well as the introduction of the Stabbilta' initiative.

Non-energy industrial goods (manufactured products that are not related to energy) also contributed to the slowdown in inflation in the first months of 2024, in line with easing pipeline pressures. Additionally, despite geopolitical tensions in the Red Sea, the overall impact on supply chains fell short of expectations. Moreover, monetary tightening has dampened global demand for consumer goods, further contributing to the slowdown in inflation.

Services inflation was the main contributor to the decline in inflation during 2023, declining at a faster pace than previously expected. Lower than

expected services inflation was partly the result of the absorption of higher costs by profit margins, including labour costs which were relatively contained overall. Consequently, services inflation stabilised in recent months, decreasing from an annual rate of 3.1 per cent in January 2024 to 2.3 per cent in June 2024 although only contributing marginally to the disinflationary process.

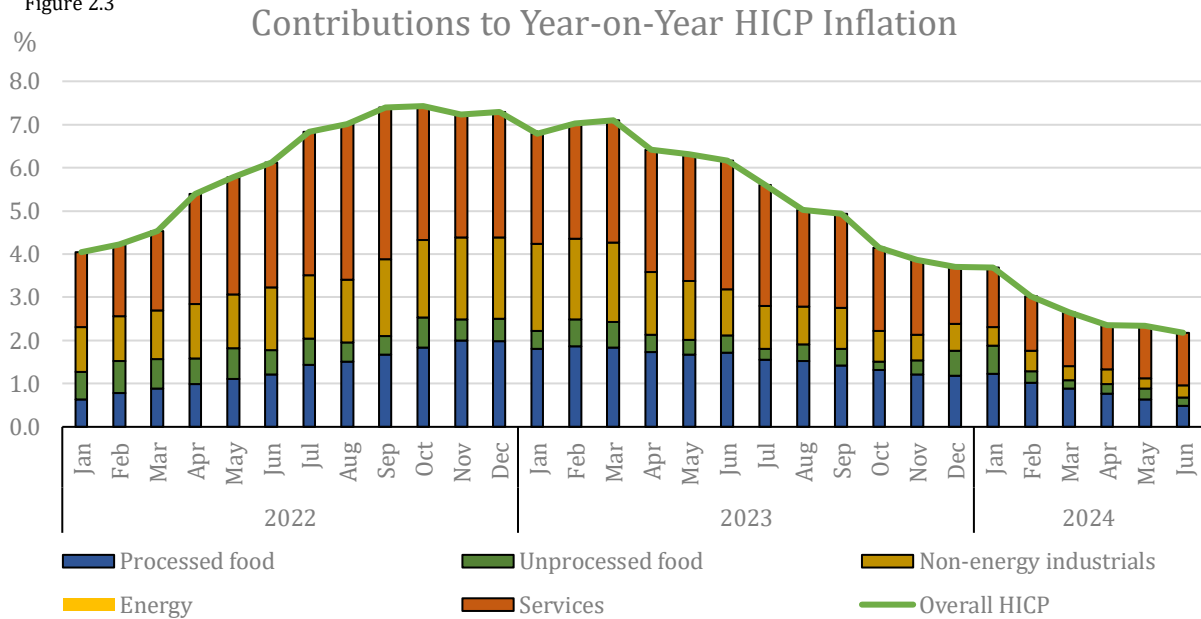
2.2 Macroeconomic Projections for 2024

This section provides an evaluation of the macroeconomic projections for 2024 as outlined in the Draft Budgetary Plan 2024 (DBP). This assessment aims to explain the main risks associated with the projections of each macroeconomic component based on latest available information.

2.2.1 Statistical Data and Revisions for 2023

The section provides a brief overview of the statistical data and subsequent revisions for 2023, focusing on the discrepancies between the macroeconomic projections of the DBP and the actual data outturn. The DBP's projections carried a data cut-off date of 15 October 2023. Therefore, the projections were based on actual data for the first half of 2023, with the year 2023 being a forecast. Since then, the first half data has been revised quite substantially upwards. Table 2.1 provides an overview of the DBP projections for 2024 and the latest data for 2022 and 2023.

Figure 2.3



In the DBP, real GDP was projected to increase by 4.1 per cent for 2023. However, outturn data based on the 2024 Q1 NSO release revealed a growth rate of 5.7 per cent during 2023, substantially exceeding previous expectations.

The main source of divergence lies in an unexpected upward revision on the external front. Despite, a global economic slowdown in 2023 on the back of tighter monetary conditions along with a moderation in demand for manufactured goods, the Maltese economy proved more resilient than initially anticipated, particularly with strong services exports. However, it should be highlighted that the DBP projections were based on a relatively weak external demand data reporting a 0.5 per cent growth in exports for the first half of 2023; this growth rate has since been revised to 10.6 per cent, with an overall export growth rate of 8.7 per cent for 2023.

Additionally, the decline in investment turned out slightly less pronounced at 14.3 per cent than initially published in the 2023 Q2 release at 17.5 per cent, while household consumption expenditure was revised upwards from 7.0 per cent to 7.7 per cent. Finally, public consumption experienced an increase of 0.8 p.p.

Overall, when considering the outturn data for 2023, the Maltese economy entered the year on a stronger footing than previously anticipated.

2.2.2 Private Consumption Expenditure

In the DBP, private consumption was projected to increase by 4.5 per cent in 2024, driven by a strong labour market, wage growth, and a sustained deceleration in inflation. Although representing robust growth, this constitutes a moderation compared to the recent historical period, aligning with a return to normality following the rapid recovery from the pandemic.

In the first quarter of 2024, private consumption increased by 3.7 per cent. While this is below the annual projection outlined in the DBP, favourable conditions for private consumption are expected to materialise in the coming months. While consumer confidence remains in negative territory, it has gradually been improving in line with the slowdown in inflation, and the subsequent recovery in household purchasing power. Notably, during the first quarter of 2024, real wages (measured by full-time equivalents) increased for the first time since 2022, which together with a strong labour market, should further support consumption in the short-term. Overall, considering the outturn data for the first quarter and the prevailing conditions, the risks for private consumption appear broadly balanced for 2024.

2.2.3 Public Consumption Expenditure

In the DBP, public consumption was projected to grow by 2.8 per cent in 2024 in real terms. This growth was expected to be driven by increases in

Main Macroeconomic Indicators

Table 2.1	2022 ⁽¹⁾	2023 ⁽¹⁾	2024 ^{af}
GDP growth at current Market Prices (%)	13.8	11.3	7.4
GDP growth at chain-linked volumes by period (reference year 2015)	8.1	5.7	4.2
Expenditure Components of GDP chain-linked volumes by period (reference year 2015)			
Private Final Consumption Expenditure ⁽²⁾	10.9	7.8	4.5
General Government Final Consumption Expenditure	2.0	2.5	2.8
Gross Fixed Capital Formation	30.6	-21.3	5.5
Exports of Goods and Services	8.8	8.7	3.9
Imports of Goods and Services	11.9	4.7	3.9
Contribution to GDP growth:			
Domestic Demand	11.1	-1.5	3.6
Inventories	-0.1	0.0	0.0
Net Exports	-3.0	7.3	0.6
Inflation rate (%)	6.1	5.6	3.7
Employment growth (%) ⁽³⁾	6.0	6.7	4.4
Unemployment rate (%) ⁽⁴⁾	3.5	3.1	2.7
Potential GDP growth	5.5	4.5	4.4
Output Gap	-0.1	-0.5	-0.6

Notes:

af - Autumn (Budget) Forecasts

⁽¹⁾ Actual data Source: NSO News Release NR 099/2024 - GDP Release 2024/Q1

⁽²⁾ Includes NPISH final consumption expenditure

⁽³⁾ Historical employment based on Headcount definition. Forecasts based on National Accounts Definition

⁽⁴⁾ Labour Force Survey estimates were reweighted based on 2021 Census following the DBP, affecting the historical data for the unemployment rate

compensation of employees and in intermediate consumption. However, public consumption experienced a contraction of 1.7 per cent in the first quarter of 2024, diverging from the initial expectation.

2.2.4 Gross Fixed Capital Formation

In the DBP, Gross Fixed Capital Formation (GFCF) was projected to grow by 5.5 per cent, following

a substantial decline in 2023 attributed to base effects in transport equipment. However, GFCF turned out weaker than anticipated in the first quarter of the year, declining by 0.9 per cent in real terms. This development reflects a decline in housing construction activity and in transport equipment investment. While transport tends to be volatile due to large one-off projects, housing construction is expected to recover. Nonetheless,

given the underperformance in the first quarter, there is a risk that investment growth could potentially be revised downwards from the DBP's projection.

2.2.5 External Balance of Goods and Services

On the international front, the DBP projected an export growth rate of 3.9 per cent in 2024. However, revisions in external conditions and the latest data, as outlined in Sections 2.2.1 and 2.2.2, suggest that export growth poses an upside risk. Additionally, the DBP projection was underpinned by an assumption of an expected stabilisation in certain export-oriented industries, such as gaming and tourism. Nevertheless, more recent data suggest that while such high value-added industries are normalising from the double-digit growth rates registered in previous years, this slowdown is less pronounced than initially projected due to productivity gains.

In the DBP, imports were projected to grow by 3.9 per cent for 2024, in harmony with sustained domestic demand and export growth. In the first quarter, imports turned out weaker than expected, increasing by 1.8 per cent. However, both exports and domestic demand are expected to remain strong over the coming months, which should lead to an improvement in imports following the subdued growth in the first quarter of the year.

2.2.6 Inflation and Labour Market Developments

In the DBP, inflation was anticipated to decelerate to 3.7 per cent in 2024, thus remaining elevated due to persisting inflationary pressures in services, driven by continued demand and a rise in labour cost. However, recent developments indicate a more favourable inflation outlook for 2024, whereby inflation in 2024 is expected to be notably lower reflecting first months' developments, as outlined in Section 2.1.2.

Regarding employment, the DBP forecasted a growth rate of 4.4 per cent, reflecting the expected continuation of growing labour supply, alongside a stable unemployment rate. Data from the early months of 2024 indicates that labour demand remains strong, as evidenced by high vacancy rates and broad-based increases in sectoral employment. Additionally, labour supply is expected to continue growing to address labour shortages, although at a more moderate pace. In this view, the outlook for the labour market remains positive and broadly balanced.

2.2.7 Risks to the growth outlook since Autumn 2023

Malta's economy has demonstrated notable resilience, with real GDP growing by 4.6 per cent in the first quarter of 2024. This robust performance, driven by strong net exports and private consumption alongside a healthy labour market, suggests that economic growth for the year may exceed the initial projections set out in the DBP.

The DBP had anticipated a gradual recovery in Malta's main trading partners, considering geopolitical tensions and economic weaknesses in Asia. However, these challenges have proven less severe than expected. Improved global conditions, coupled with strong tourism demand and a stable euro, are likely to bolster export growth.

Household consumption is anticipated to remain robust, bolstered by a more favourable inflation outlook for 2024 and a strong labour market. In particular, the labour market continues to perform strongly, with significant employment growth and high vacancy rates indicating that labour demand remains robust. The persistently high demand across various sectors coupled with continued increases in labour supply points to a balanced risk in the labour market outlook.

Overall, despite some risks related to investment and external conditions, the latest data points to a positive economic trajectory for Malta, surpassing the initial expectations of the DBP.

2.3 Other Developments since the DBP Projections

In the DBP forecast, the economic outlook for 2024 anticipated a slow recovery in economic activity among Malta's main trading partners. This expectation was in line with the ongoing disinflationary process and the anticipated easing of monetary policy that has been constraining economic activity. However, other headwinds weighed on the short-term economic outlook for 2024. These included continued geopolitical tensions and weakness in Asia, which were expected to adversely affect global goods trade.

The DBP forecast was prepared in a context of elevated uncertainty, where the conflict in the Middle East posed significant downside risks. The implications on energy and commodity prices from renewed geopolitical tensions were

still yet to be fully assessed, necessitating an element of prudence in the forecast. This element of caution was especially pertinent given Malta's high trade openness and hence its vulnerability.

Since the DBP forecast, the outlook of Malta's main trading partners for 2024 has shown marginal improvements. In the DBP, economic activity in Malta's main trading partners was assumed to increase by 0.7 per cent in 2024. However, stronger-than-expected growth in the United States has led to an upward revision to this projection by 0.1 percentage point.

In terms of exchange rate developments, latest projections from Consensus Economics indicates that the euro is expected to remain broadly stable throughout 2024; this contrasts with the assumption of a strengthening euro adopted in the DBP. This stability could further support export growth in 2024 relative to the DBP projection.

A noteworthy development since the DBP forecast is the exceptional performance in the tourism sector, which has significantly outperformed expectations during the first months of the year. This constitutes an important development since the DBP forecast. During the first five months of this year, inbound tourism numbers surpassed 1.2 million, marking an increase of 24.6 per cent over the previous year. High-frequency indicators suggest continued demand into the summer period, further posing an upside risk for tourism exports.

3. 2024 targets as established in the 2023 Medium-Term Fiscal Strategy and the 2024 Draft Budget Plan

The 2023-2026 Medium Term Fiscal Strategy (2023 MTFS) and the 2024 Draft Budgetary Plan (2024 DBP) statistical information are mainly estimated in line with the European System of Accounts (ESA) 2010 and might be subject to further revisions.

In the 2023 MTFS, both the revenue and expenditure ratios to GDP were expected to decline. The revenue ratio was expected to drop from 35.7 per cent to 34.2 per cent while expenditure to GDP was forecast to decrease from 40.7 per cent to 38.5 per cent. Consequently, the Government deficit was projected to decrease from 5.0 per cent of GDP in 2023 to 4.3 per cent

of GDP in 2024 mainly attributed to the reduction of subsidies, the phasing-out of the national airline's early retirement schemes, and the contained growth of the wage bill, this was partially compensated by the increase in interest expenditures.

In July 2023, the European Council advised Malta on the reduction of the emergency energy support measures by 2023 and 2024, unless it was considered as necessary to continue shielding vulnerable households and firms. The Council emphasised on ensuring a more prudent fiscal policy by limiting the nominal increase in net primary expenditure as well as addressing features of the tax system that may facilitate aggressive tax planning. The Government was also directed in reducing its reliance on fossil fuels and energy demand while stepping up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition as well as continue the steady implementation of its recovery and resilience plan, including the REPowerEU chapter.

Amidst Malta's relatively stable economic environment, the primary objective of the 2024 DBP was a continuation of the gradual fiscal consolidation, with a clear commitment from the Government to reduce the deficit. The general Government balance for 2024 was revised upwards compared to the estimated deficit outlined in the 2023 MTFS, as higher estimated expenditure in 2024 was expected to more than offset an upward revision in the general Government revenue. Meanwhile, in Autumn 2023, the debt ratio was expected to reach 55.6 per cent of GDP in 2024. The budget also committed to strengthen the potential of the economy and undertake the necessary investments and reforms necessary to ensure an adequate supply of skills, manpower, knowledge, know-how and capital necessary for the economy to grow in a sustainable manner, including the ability to procure access to an adequate and secure supply of energy at reasonable costs and thus preserve Malta's competitiveness and viability.

In terms of revenue, the main adjustment compared to the estimates outlined in the 2023 MTFS pertained to taxes on production and imports, with an upward revision largely due to the base effect of the revised expected outturn in

Discretionary Fiscal Measures

Table 3.1

Detailed description	Target (Expenditure / Revenue component) ESA Code	Introduced in Budget for...	Incremental Budgetary Impact (% of GDP)		
			2022 ^{est}	2023 ^{est}	2024 ^{af}
Reduced tax on the transfer of immovable property	D2, D5 - R	2014-2024	0.05	0.20	0.05
Energy support measures	D2 - R	2021	-0.13	0.02	0.01
Digital tools and data-led intelligence to facilitate and increase the efficiency and effectiveness of tax collection	D2, D5 - R	2022	0.12	-0.01	0.12
Reduced tax rates on income from overtime work and part-time employment	D5 - R	2022	-0.03	0.00	0.00
Granting of Citizenship for Exceptional Services	P10 - R	2014	-0.33	0.20	-0.03
Other revenue measures, including measures legislated in previous budgets	0	0	-0.06	-0.01	0.04
Various medical supplies and equipment in relation to COVID-19	P2 - E	2020	0.27	0.19	0.05
COVID-19 Business Assistance Programme and the Economic Regeneration Voucher Scheme	D3 - E	2020	1.98	0.72	0.00
Government-guaranteed loans schemes	D3 - E	2020	0.01	0.06	0.00
Support to the agricultural sector	D3 - E	2021	0.01	0.02	0.00
Financial support to the national airline	D3 - E	2021	-0.84	0.28	0.56
Energy support measures and commodity price and supply security measures	0	2020	-1.68	0.76	-0.29
Measures to address housing affordability, pension adequacy and the integration of vulnerable individuals in society; cash payments by Government to households	D6 - E	2016 - 2023	-0.25	-0.40	-0.08
Budget 2024 Social Support Measures	D6 - E	2024	0.00	0.00	-0.08
Allocation for budgetary measures over the medium-term	D7 - E		0.00	0.00	-0.02
Tourism Support Schemes	D9 - E	2021 & 2022	0.05	0.04	0.00
Projects financed from the National Development and Social Fund	D7, P5111 - E	2018	-0.05	-0.09	0.07
Other expenditure measures, including measures legislated in previous budgets			0.02	0.01	-0.21
			-6.55	2.00	0.21

est: Estimated in Autumn 2023 in the Draft Budget Plan 2024

af: Autumn 2023 Forecast

The impact is recorded in incremental terms - as opposed to levels - compared to the previous year's baseline projection. The total figure is the Total impact on the budget balance, as a revenue increasing measure is listed as positive, while an expenditure decreasing measure is also positive. If the impact of a measure varies over time, only the incremental impact is recorded in the table. The measures may not add up to the total due to the marginal impact of measures legislated in previous years Budget, but which might nonetheless have a marginal impact on the budget balance.

2023. Additionally, higher indirect tax revenue was also anticipated to be driven by an upward revision in private consumption expenditure and tourism exports, as well as improvements in the estimated sensitivity of revenue streams to underlying macroeconomic conditions. The use of digital tools and data-led intelligence is also expected to enhance the efficiency and effectiveness of tax collection. The upward revision in general Government expenditure for 2024 primarily reflected an increase in gross fixed capital formation and subsidies, the latter in response to the expected inflationary pressures on energy costs. Additionally, an upward revision in compensation for employees reflected the anticipated impact of various public sector collective agreements. These developments were in part offset by downward revisions in capital transfers, intermediate consumption, and interest expenditure.

A list of the main discretionary measures underpinning the fiscal developments is presented in Table 3.1.

In the Commission's opinion on the 2024 DBP of 23 November 2023, it was highlighted that the macroeconomic scenario underpinning the budgetary projections appeared to be in line with the Commission's 2023 autumn forecast for 2023 and 2024. Based on the Commission's estimates, the fiscal stance is projected to be contractionary in 2024, following a broadly neutral fiscal stance in 2023. However, the Commission considered that the Draft Budgetary Plan of Malta was not fully in line with the Council Recommendation as cuts to indirect taxes on energy consumption and subsidies to energy production were expected to be retained in 2024 and 2025 and therefore, invited Malta to gradually reduce the energy support measures. The Council also recommended that Malta ensure a prudent fiscal policy, by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 5.9 per cent. According to the Commission 2023 autumn forecast, Malta's net nationally financed primary expenditure is projected to increase by 5.5 per cent in 2024, which is below the recommended maximum growth rate. This is in line with what was recommended by the Council.

4. General Government Budgetary Developments in H1 2024

This section examines the Government's provisional revenue and expenditure data for the first half of the year, comparing it with actual data from 2023. The outcomes are detailed in Table 4.1. The assessment of developments against targets established in the 2024 Draft Budgetary Plan (2024 DBP) is mainly undertaken in terms of data classified according to the European System of Accounts (ESA) 2010, and consequently actual data may still be subject to further revisions.

From January to June 2024, the general Government revenue is estimated to have increased by €313.3 million, or 10.0 per cent, compared to the same period in 2023. This increase is primarily due to higher revenue across all components except capital taxes. By mid-2024, 49.9 per cent of the projected revenue for the year had been collected, slightly more than during the same period last year. The following sections provide a detailed analysis of the main components contributing to variances with the 2024 DBP projections.

Revenue from taxes on production and imports is estimated to have increased by €139.2 million, or 15.3 per cent, in the first six months of 2024. By mid-2024, 48.6 per cent of the approved annual target had been collected, compared to 47.0 per cent a year earlier, indicating alignment with projections. Revenue from current taxes on income and wealth is estimated to have increased by €93.3 million during the first half of 2024. The 7.5 per cent growth rate in these taxes is lower than projected in Autumn 2023. By mid-2024, 50.8 per cent of the annual target had been accrued, slightly less than the 51.3 per cent accrued by the same period last year. Revenue from social contributions increased by 6.6 per cent, or €33.7 million, compared to the 5.7 per cent growth projected in the 2024 DBP. By mid-2024, 48.1 per cent of the approved target had been collected, compared to 47.5 per cent a year earlier, suggesting the Autumn 2023 targets are still plausible. These developments reflect both supportive macroeconomic trends and improved efficiency in tax collection through digital tools and data-led intelligence. Other revenue is estimated to have increased by €37.3 million in the first half of 2024, with 50.7 per cent of the planned revenue for the year accrued.

General Government Budgetary Execution and Prospects in Accordance with ESA Standards

The data for 2024Q2 was partly estimated and is to be considered as provisional

Table 4.1

	ESA Code	2023 Actual € 000	2024 Budget Forecast ⁽¹⁾ € 000	Jan-Jun 2023 Actual € 000	Jan-Jun 2024 Provisional € 000
Net lending (+)/net borrowing (-)					
1. General Government	S.13	-950,423	-919,690	-269,840	-242,784
2. Central Government	S.1311	-952,022	-918,477	-275,105	-248,028
3. State Government	S.1312	-	-	-	-
4. Local Government	S.1313	1,599	-1,213	5,264	5,244
5. Social Security funds	S.1314	-	-	-	-
For the General Government					
6. Total Revenue	TR	6,483,039	6,920,707	3,134,191	3,447,478
Of which					
Taxes on Production and Imports	D.2	1,938,961	2,137,799	911,378	1,050,575
Current Taxes on Income, Wealth, etc.	D.5	2,430,583	2,636,238	1,246,560	1,339,829
Capital Taxes	D.91	34,881	29,355	17,128	16,635
Social Contributions	D.61	1,067,674	1,124,425	507,458	541,193
Property Income	D.4	109,570	95,462	38,566	48,817
Other ^(a)		901,370	897,428	413,100	450,429
7. Total Expenditure	TE	7,433,462	7,840,397	3,404,032	3,690,261
Of which					
Compensation of employees	D.1	1,948,053	2,137,799	959,840	1,017,305
Intermediate Consumption	P.2	1,516,149	1,601,166	713,316	743,516
Social Payments	D.6	1,586,191	1,731,125	841,662	956,369
Interest Expenditure	D.41	213,902	273,508	97,799	118,875
Subsidies	D.3	744,817	676,923	317,539	202,208
Gross Fixed Capital Formation	P.51	671,539	771,884	262,950	273,061
Capital Transfers	D.9	329,244	164,729	73,975	95,764
Other ^(b)		423,567	483,264	136,952	283,164
8. Gross Debt ^(c)		9,767,805	11,210,178	9,160,254	10,054,943

Notes:

⁽¹⁾ The 2024 DBP fiscal projections remain unchanged, with only nominal adjustments made for reclassifications to align with actual data reporting for consistency purposes.

^(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).

Box 1: Analysis of the Consolidated Fund: Developments in January-June 2024 compared to 2023

The period from January to June 2024 has shown significant developments in the Consolidated Fund compared to the same period in 2023. This analysis delves into the various components within the Consolidated Fund, to provide insight into the growth trends in revenue and expenditure.

In the first half of 2024, actual revenue reached €3,404.7 million, marking a substantial increase from the €2,920.8 million recorded in the same period of 2023. This represents a year-over-year growth of approximately 16.6 per cent. Tax revenue saw a substantial increase from €2,626.4 million in 2023 to €3,120.0 million in 2024, representing a growth rate of approximately 18.8 per cent. The increased tax revenue highlights improved economic activity and more effective tax collection mechanisms. Meanwhile, non-tax revenue increased slightly from €146.3 million in 2023 to €154.5 million in 2024, but significantly underperformed against the forecast growth for the year.

Revenue from Customs and Excise Duties decreased from 2023, primarily reflecting lower revenue from excise on petroleum and import duties. Licences, Taxes and Fines showed growth from 2023, reflecting better property-related tax collections as well as increased revenue from the annual circulation licence fee and motor vehicle registration taxes, in part offset by lower gaming taxes. VAT collections grew by 16.6 per cent year-over-year, slightly outpacing the forecast for the year. Income Tax displayed significant growth, with actual revenue exceeding the 2023 figure by €325.6 million, primarily on account of higher corporate income tax receipts. Similarly, revenue from social contributions recorded year-on-year growth, with an increase of €75.1 million, or 12.2 per cent, over the comparative period in 2023. It is worth noting that the use of digital tools and data-led intelligence is expected to facilitate and increase the efficiency and effectiveness of tax collection.

In the first half of 2024, 49.9 per cent of the approved target tax revenue for the year is estimated to have been collected, compared to a ratio of 44.8 per cent a year earlier. While the fiscal performance during the period of January to June 2024 has been notably more buoyant than projected in the 2024 Budget, some of the positive variances observed may be attributed to the timing of receipts rather than a sustained increase in revenue streams. Consequently, at this juncture, there is no consideration for revising the forecast as these variances might normalise over the remaining months of the fiscal year.

Expenditure increased from €3,179.3 million in 2023 to €3,494.5 million in 2024. During the reference period, recurrent expenditure totalled €3,067.4 million, an increase of €303.4 million compared to the €2,764.0 million recorded a year earlier. The main contributor to this increase was a €232.7 million rise reported under programmes and initiatives, which involved higher outlays towards social security benefits, EU own resources and the Tax relief measure. The latter is due to a delay in the processing of payments, which last year was completed in July 2023. Further increases were also recorded under personal emoluments (+€51.2 million) and contribution to government entities (€14.9 million). In the first half of 2024, 46.7 per cent of the approved target recurrent expenditure for the year is estimated to have been spent, compared to a ratio of 46.0 per a year earlier. The interest component of the public debt servicing costs totalled €126.9 million, an increase of €26.9 million when compared to the previous year. Nonetheless, interest expenditure during the January-June 2024 period amounted to 46.7 per cent of the approved targeted for the year, same level as in the previous year. Meanwhile, between January and June 2024, the Government's capital spending amounted to €300.2 million, just below the €315.3 million recorded in the comparative period in 2023, aligning with the expectations for a lower overall capital expenditure in 2024. Despite the overall increase in total expenditure during the first half of 2024, the current expenditure trends are seen as consistent with the annual forecast, and no adjustments are deemed necessary at this stage.

The difference between total revenue and expenditure resulted in a deficit of €98.0 million being reported in the Government's Consolidated Fund at the end of June 2024, whereas a year earlier, a deficit of €258.5 million was registered. The first half of 2024 demonstrates significant progress in revenue collection, particularly in tax revenues, compared to the same period in 2023. Despite some shortfalls in non-tax revenue and expenditure variances, the overall fiscal position has improved by €160.5 million.

Central Government Finances - Consolidated Fund

Table 1

	Jan - Dec 2023 <i>Actual</i> € 000	Jan - Dec 2024 <i>Approved Estimates</i> € 000	Jan - Jun 2023 <i>Actual</i> € 000	Jan - Jun 2023 <i>Actual</i> as a % of 2023	Jan - Jun 2024 <i>Actual</i> € 000	Jan - Jun 2024 <i>Actual</i> as a % of 2024
Revenue	6,413,014	6,756,288	2,920,776	45.5	3,404,739	50.4
Tax Revenue	5,864,789	6,251,975	2,626,374	44.8	3,120,018	49.9
<i>Indirect Tax Revenue</i>	1,993,332	2,179,975	955,592	47.9	1,048,537	48.1
Customs and Excise Duties	305,527	333,200	139,002	45.5	118,500	35.6
Licenses, Taxes, and Fines	405,961	392,775	199,569	49.2	210,632	53.6
Value Added Tax	1,281,844	1,454,000	617,021	48.1	719,405	49.5
<i>Direct Tax Revenue</i>	3,871,457	4,072,000	1,670,782	43.2	2,071,481	50.9
Income Tax	2,459,653	2,542,000	1,053,406	42.8	1,379,049	54.3
Social Security	1,411,804	1,530,000	617,376	43.7	692,432	45.3
Non-Tax Revenue	548,225	504,313	294,402	53.7	284,721	56.5
Fees of Office	92,857	106,915	36,892	39.7	56,322	52.7
Sales	98,512	87,563	45,907	46.6	39,509	45.1
Reimbursements	9,134	4,683	2,373	26.0	1,704	36.4
Central Bank of Malta	0	15,000	0	0.0	0	0.0
Rents	32,707	34,000	13,878	42.4	14,392	42.3
Dividends on Investments/Receipts	44,003	61,750	8,424	19.1	15,908	25.8
Interests on Loans	1547	276	272	17.6	843	305.4
Grants	231,147	182,570	148,059	64.1	130,186	71.3
Miscellaneous	38,318	11,556	38,597	100.7	25,857	223.8
Total Expenditure ⁽¹⁾	7,218,724	7,748,371	3,179,328	44.0	3,494,501	45.1
Recurrent Expenditure	6,006,520	6,572,156	2,764,019	46.0	3,067,438	46.7
Personal Emoluments	1,196,114	1,334,349	549,197	45.9	600,405	45.0
Operations and Maintenance	319,450	314,393	153,066	47.9	157,603	50.1
Programmes and Initiatives	3,701,143	4,114,732	1,683,263	45.5	1,916,003	46.6
Contributions to Government Entities	789,813	808,682	378,494	47.9	393,427	48.7
Interest Payments	214,286	271,700	100,004	46.7	126,912	46.7
Capital Expenditure	997,918	904,515	315,304	31.6	300,151	33.2
Foreign Funds	225,858	182,570	83,607	37.0	77,070	42.2
National Funds (incl Co Financing)	772,060	721,945	231,697	30.0	223,081	30.9
Consolidated Fund Balance	-805,710	-992,083	-258,552		-89,762	

Notes:

af - Autumn Forecasts (Approved Estimates)

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

The general Government expenditure increased by €286.2 million, or 8.4 per cent, in the first half of 2024 compared to the same period in 2023. Overall expenditure for the first half of the year reached 47.2 per cent of the approved budget, compared to 45.8 per cent in the same period last year. Higher outlays were mainly recorded in 'other' expenditure and social payments, partially offset by lower spending on subsidies compared to 2023. The following section provides a more detailed review of the main components contributing to variances with the 2024 DBP projections.

Expenditure on 'other' items increased by €146.2 million, more than doubling last year's expenditure for the same period, primarily due to higher outlays on EU own resources and the Tax relief measure. The latter is due to a delay in the processing of payments, which last year was completed later in July 2023. Overall, the higher-than-expected 'other' expenditure represented 65.4 per cent of the approved estimate, compared to 32.2 per cent of annual expenditure last year, however since this is mostly due to the timing of the processing of payments, no revisions are currently planned. Expenditure on social payments during January to June 2024 reached 54.7 per cent of the annual target, compared to 53.1 per cent during the same period in 2023. This increase reflects higher pension expenditures, Additional Cost of Living Adjustment payments, and an increase in child allowance, including initial payments of the Special Allowance for Post-Secondary Students. Assuming last year's seasonal patterns persist, these indicators suggest that social payment expenditures are broadly consistent with approved estimates. Meanwhile, expenditure on subsidies declined by €115.3 million, primarily due to lower spending on energy subsidies. Consequently, in the first half of 2024, the Government spent about 30.3 per cent of the approved expenditure on subsidies for 2024, compared to 42.6 per cent in the same period in 2023. Outlays are below expectations, and the Government will monitor developments to adjust projections if necessary.

5. Debt Developments and Targets

This following section outlines the developments and components of the general Government debt in the first six months of 2024 compared to the 2024 Budget targets. Additionally, it details the key trends in the Eurozone sovereign bond

market and the domestic Malta Government Stocks (MGS) market during the first half of 2024.

5.1 Debt Developments and Components of General Government Public Debt

The general Government debt increased by €768.1 million over 2022 and stood at €9,767.8 million in 2023. As outlined in table 5.1, the debt-to-GDP ratio for 2023 decreased to 50.3 per cent. This was underlined by an improvement in the primary balance and the stock flow adjustment partly offset by an increase in interest expenditure.

Table 7 in the Statistical Annex illustrates the Statement of General Government sector debt. Actual General Government debt as at 30 June 2024 stood at €10,054.9 million (30 June 2023: €9,160.3 million). The consolidated outstanding Malta Government Stocks (MGS) figure increased by €1,052.7 million to €8,145.6 million compared to end June 2023 levels. The outstanding Malta Government Retail Savings Bonds (MGRSB) balance stood at €328.7 million, a decrease of €26 million over the last 12 months. The consolidated outstanding amount of Treasury Bills (T-bills) fell by €215.8 million from the 30 June 2023 balance and stood at €532.1 million as at the end of June 2024. The foreign loans outstanding balance (entirely denominated in euro from April 2024) stood at €492.4 million as of 30 June 2024, up by €71.9 million over the corresponding figure for last year, mainly due to the new €72 million European Investment Bank (EIB) loan disbursed in December 2023. Foreign loans, including SURE loans and the EIB loan, comprised 4.9 per cent of total gross outstanding central Government debt as at 30 June 2024, compared to 4.6 per cent a year earlier.

5.2 Main developments in the eurozone sovereign bond market during H1- 2024

At the beginning of 2024, the euro area financial markets continued to focus on the pace of disinflation and the expected monetary policy adjustments. The short end of the euro area risk-free curve varied only marginally during January, reflecting stable expectations for no change in ECB policy rates at the January meeting. The euro short-term rate (€STR) averaged 3.90 per cent during January. The overnight index swap (OIS) forward curve, which is based on the benchmark €STR, remained stable for short-term maturities. Short-term forward rates for horizons beyond January were, however, subject to heightened

General Government (S.13) Debt Developments and Prospects

Table 5.1

	ESA Code	2023 % GDP	2024 ^{af} % GDP
1. Gross Debt^(a)		50.3	55.6
2. Change in Gross Debt ratio		-1.3	2.5
Contributions to changes in Gross Debt			
3. Primary Balance		3.8	3.2
4. Interest Expenditure	D.41	1.1	1.3
5. Stock-flow adjustment		-0.9	1.6
p.m.: Implicit interest rate on debt ^(c) (%)		2.0	2.4
Other relevant variables			
Percentage of debt related to foreign loans ^(d) (%)		5.0	5.1
Average MGS maturity (years) ^(e)		8.3	7.5
Real GDP growth (%)		7.1	3.5

Notes:

af - Autumn (Budget) Forecasts as a % of Autumn 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) Up to 31st March 2024, 99% of outstanding Foreign Loans balance is denominated in domestic currency, whereas 1% is denominated in foreign currency (CAD). From 1st April 2024, all outstanding foreign loans are denominated in euro.

^(e) 2023 data refers to actual position as at 31st December 2023.

volatility. By contrast, policy rate expectations over longer horizons fluctuated more markedly, but ended January close to their mid-December levels. Euro area longer-term risk-free rates increased slightly in January, after falling following the December ECB meeting and returning to their previous levels in the first weeks of 2024.

The euro area ten-year nominal risk-free rate decreased to 2.2 per cent at the end of December 2023, before rebounding to around 2.5 per cent, ending January 2024 with an overall increase of 16 basis points (bps). Sovereign bond yields in the euro area moved in line with risk-free rates, which increased slightly. By late January the euro area GDP-weighted average ten-year sovereign bond yield stood at around 2.9 per cent, around 19 basis points above its mid-December level. Sovereign spread movements across euro area jurisdictions were closely contained throughout January, and the announcement made at the

December ECB meeting to start gradually reducing pandemic emergency purchase programme (PEPP) reinvestments by mid-2024 had no visible impact on sovereign yields. At its meeting on 25 January 2024, the ECB decided to keep the three key interest rates unchanged. The incoming information broadly confirmed declining underlying inflation and tighter financing conditions. Tight financing conditions were dampening demand, and thus helping disinflation.

By early March 2024, the focus in euro area financial markets remained on the timing and extent of prospective policy rate cuts. At its 7 March 2024 meeting, the ECB Governing Council decided to keep the three key policy rates unchanged. Short-term risk-free rates shifted upwards as market participants revised their expectations towards later and fewer ECB policy rate cuts in 2024, as the pace of disinflation slowed. Specifically, the €STR forward curve

almost fully priced in an initial rate cut of 25 bps in the second quarter of 2024 and 100 bps of cumulative rate cuts in 2024. The €STR remained stable at 3.9 per cent over this period, reflecting the unchanged deposit facility rate, which the ECB kept at 4.0 per cent since September 2023. Longer-term risk-free rates moved up as well. The ten-year euro OIS rate stood at around 2.5 per cent in the beginning of March, about 10 bps above its start of the year level. Euro area sovereign bond yields moved in lockstep with risk-free rates, leaving sovereign spreads little changed, with the dispersion of sovereign spreads over the OIS rate narrowing and the larger volumes of sovereign bond issuance being well absorbed by investors. The ten-year GDP-weighted euro area sovereign bond yield stood about 11 bps higher, at around 2.8 per cent, leading to only a slight increase in its spread over the OIS rate based on the €STR. Sovereign spreads across countries narrowed, as some of the higher-yield sovereigns saw a decrease in spreads and the German sovereign yield narrowed its negative gap to the OIS.

Overall, during Spring 2024, the focus in euro area financial markets remained on the pace of disinflation and its implications for the timing and magnitude of policy rate cuts. The benchmark €STR remained stable at 3.9 per cent over this period, reflecting the unchanged deposit facility rate. Short-term risk-free rates shifted upwards for all but the most near-term maturities, as market participants moderated their expectations of monetary policy easing considering slower disinflation. The short end of the €STR forward curve was little changed, almost fully pricing in a 25 bps rate cut at the June 2024 ECB meeting. By contrast, market pricing of future rate cuts declined to 65 bps of cumulative cuts, from 100 bps in March, indicating that market participants expect subsequent rate cuts to be fewer and later than previously expected. The forward curve signalled policy rates are expected to level off at between 2 per cent and 2.5 per cent by the end of 2026.

Long-term risk-free rates rose substantially by end of April 2024, mainly driven by the reassessment of the US interest rate outlook, before declining moderately. The ten-year euro OIS rate increased by 30 bps up to the end of April, and reached 2.6 per cent by early June, 16 bps above the level of the March 2024 ECB meeting. Sovereign bond yields moved broadly in

line with risk-free rates. The ten-year GDP-weighted euro area sovereign bond yield stood about 24 bps higher at around 3.04 per cent, leading to only a slight increase of 5 bps in its spread over the OIS rate based on the €STR. Sovereign spreads across countries, including those for lower-rated euro area countries, moved little over this period.

5.3 Primary Market

5.3.1 The Domestic Debt Capital Market (Malta Government Stocks)

In the beginning of February, the Treasury department published the annual borrowing plan for the year 2024, in which it announced (i) the maximum amount that it could borrow during the year based on the amount set in the Budget Measures Implementation Bill tabled in Parliament in October 2023 (ii) the scope of borrowing and (iii) the debt instruments that were going to be used to raise the necessary finance to meet the borrowing requirements for the year. Subsequently, the Budget Measures Implementation Act (Cap. 642 of the Laws of Malta) was enacted by Parliament in the beginning of the year confirming the maximum amount that the Government could borrow during 2024 at an amount not exceeding €1.7 billion.

During the first half of 2024, the Treasury department tapped the domestic debt capital market once, in February. In this MGS issue, the Treasury department offered two new fixed-rate MGSs in the short and medium-term maturity segments of the sovereign's yield curve. This issuance was a combined issuance, where both retail and institutional investors were offered the opportunity to participate. Retail investors can buy up to €499,900 in each of the bonds at fixed pre-set offer prices, whereas institutional investors participate in a competitive sealed-bid auction, with a minimum bid amount of €500,000.

The amount on issue was €270 million, with an over-allotment option of a further €130 million. Total participation in this issuance amounted to €510.9 million (€81.4 million in the 3.15 per cent MGS 2027 (VII), and €429.5 million in the 3.35 per cent MGS 2029 (V)), resulting in a bid-to-cover of 1.89x. The Treasury department borrowed a total of €399.1 million through this issuance; €62.4 million in the 3.15 per cent MGS 2027 (VII) and €336.7 million in the 3.35 per cent

MGS 2029 (V). Retail investors applied for a total of nearly €108 million (€31.9 million in the 3-year MGS and €76.1 million in the 5-year MGS) with both MGSs priced at par (€100), whereas the remaining €291.2 million (nominal) were allotted through the auction (€30.5 million in the 3-year MGS and €260.7 million in the 5-year MGS). The weighted-average rate (WAR) on the 3-year MGS allotted via auction was 3.35 per cent whereas the WAR for the auctioned 5-year MGS was 3.73 per cent.

After the substantial interest shown for the 62+ MGRSB rollover offered in 2023 (81 per cent participation), the Treasury department offered again existing holders of the 62+ MGRSB (Issue 2019) maturing on 20 March 2024, the opportunity to rollover (re-invest) their holdings into a new issue of 5-year 62+ MGRSB maturing on 20 March 2029. The new 62+ MGRSB (2024 Issue) has the same terms and conditions as the maturing 62+ MGRSB (2019 Issue), except for a higher interest rate (3.35 per cent p.a. instead of 3.00 per cent p.a.) to reflect market conditions at the time of the rollover offer. From a total outstanding amount of €91.6 million available for rollover held by 11,966 investors, 9,446 investors accepted the offer and €72.2 million were rolled over into the new 62+ MGRSB (2024 Issue). This resulted in a conversion rate of 79 per cent of the amount available for rollover. As a result, the remaining €19.3 million of holdings in the 62+ MGRSB (2019 Issue) were not rolled over and therefore redeemed. The 62+ MGRSB is a non-marketable debt instrument.

By the end of June 2024, with the February MGS issuance and the March 62+ MGRSB rollover, the Treasury department raised a total of €471.4 million, or 28 per cent of the approved maximum funding requirements for the year which, according to current fiscal projections, are not expected to exceed €1.7 billion.

As at 30 June 2024, the Weighted-Average Maturity (WAM) of the gross outstanding MGS portfolio, which represented 86.5 per cent of the total gross Central Government Debt Portfolio, stood at 7.7 years (30 June 2023: 8.7 years). The WAM of the gross central Government debt portfolio as at end of June 2024 stood at 7.3 years, against 7.8 years registered on 30 June 2023. The Weighted-Average Coupon (WAC) of the gross MGS debt portfolio stood at 2.68 per cent on 30 June 2024 (30 June 2023: 2.49 per cent). The Weighted-Average Rate (WAR) of the total gross

central Government debt was registered at 2.65 per cent on 30 June 2024 (30 June 2023: 2.47 per cent).

By 30 June 2024, the Treasury department had redeemed €19.3 million worth of the 62+ MGRSB (2019 Issue), which were not rolled over into the new 62+ MGRSB (2024 Issue). In the first half of 2023, a total of €146.6 million had been redeemed (including the amount of 62+ MGRSB (2018) not rolled over).

Total interest paid on MGS and 62+ MGRSB during the first half of 2024 amounted to €115.7 million, €23.1 million higher than in the first half of 2023.

5.3.2 The Domestic Money Market (Treasury Bills)

In the first six months of 2024, the Treasury department held 26 T-bill auctions, once every week. The total nominal amount of T-Bills issued in the first half of 2024 amounted to €771.9 million, compared to €1.38 billion (nominal) for the period January-June 2023. 79 per cent of this total was allotted in the 91-day tenor. During the first half of this year, the 91-day-tenor was issued at a WAR of 3.43 per cent compared to 2.91 per cent registered by end June 2023. This increase reflects the ECB's decision to maintain a restrictive monetary policy until early June 2024, and market expectations of 'higher-for-longer' policy rates considering overall slower disinflation during the first semester of 2024.

Total T-bill redemptions for the first six months of the year amounted to €895.3 million, whilst over the same period last year the figure stood at €1.3 billion. Despite this decrease in the number of redeemed T-bills, there was an increase in the amount of interest paid when comparing H1 2024 with the corresponding period for 2023: from €7.2 million paid in H1 2023 to €11.0 million paid in the first half of 2024. This is largely due to the increases in interest rates implemented by the ECB up until the September 2023 meeting. Moreover, policy rates were then kept stable for nine months, until the first 25 basis point rate cut was announced during the 6 June 2024 meeting. The WAR for 91-day-tenor T-bills redeemed in H1 2023 was 2.17 per cent, whereas the equivalent rate for H1 2024 increased to 3.49 per cent.

The WAR of the outstanding T-bill portfolio as at 30 June 2024 stood at 3.43 per cent, compared to 3.10 per cent as of 30 June 2023. Conversely, the

WAM of outstanding T-bills fell sharply during the same period, from 158 days on 30 June 2023 to 65 days by the end of H1 2024, owing to the lack of issuance in the longer tenors (273 and 364 days). Similarly, participation in T-bill auctions registered a drop between H1 2023 and H1 2024, although remaining at high levels, with the rate of participation falling from 4.65x to 3.58x.

6. Compliance with the provisions of the Stability and Growth Pact and the Fiscal Responsibility Act

6.1 Assessment of Compliance with the Provisions of the Stability and Growth Pact

On July 14, 2023, the Council advised Malta to maintain a prudent fiscal policy, specifically by limiting the nominal increase in net nationally financed primary expenditure to a maximum of 5.9 per cent in 2024. Additionally, the Council highlighted that when executing their 2023 budgets and preparing their Draft Budgetary Plans for 2024, Member States should consider that the Commission might propose to the Council the initiation of deficit-based excessive deficit procedures based on the actual data for 2023. The Council also recommended that Malta should wind down its emergency energy support measures as soon as possible in 2023 and 2024, using the savings from these measures to reduce the Government deficit. If energy prices increase again, necessitating new or continued support measures, Malta should ensure these measures are targeted, fiscally sustainable, and incentivise energy savings, particularly for vulnerable households and firms.

On 16 October 2023, Malta submitted its Draft Budgetary Plan for 2024, aligning its fiscal policies with the advised guidelines while ensuring that the needs of vulnerable households and firms remained adequately protected. According to the European Commission's forecast, the growth of Malta's net nationally financed primary expenditure was projected to align with the recommended maximum growth rate for 2024, although the emergency energy support measures were not expected to be phased out. Consequently, the European Commission expressed the opinion that Malta's Draft Budgetary Plan for 2024 did not fully adhere to the Council Recommendation of July 2023.

According to the European Commission's Spring 2024 Forecast, the net nationally financed primary expenditure is forecasted to increase by 5.5 per cent in 2024, which is below the recommended maximum growth rate. However, since the net expenditure for 2023 was higher than anticipated when the recommendation was made, the Commission considers that Malta's net nationally financed primary expenditure is at risk of not fully complying with the recommendation. Moreover, energy support measures are not expected to be wound down, which poses a risk of non-compliance with the Council's recommendation. Despite these challenges, Malta is projected to increase its nationally financed public investment, in line with the Council's recommendations, whilst public expenditure financed by revenues from EU funds is expected to remain stable in 2024.

6.2 Assessment of Compliance with the provisions of the Fiscal Responsibility Act

The Fiscal Responsibility Act of 2014 requires that the general Government budget in structural terms be balanced or in surplus and that the Government debt ratio be kept below 60.0 per cent or decreases if above. The Commission projects Malta's headline budget deficit to be 4.6 per cent of GDP in 2024. The structural balance is estimated to decline by 0.7 percentage points to 4.2 per cent of potential GDP in 2024. On the other hand, Malta's Government debt ratio is projected to be 55.6 per cent in 2024, remaining below the Treaty reference value of 60.0 per cent of GDP.

6.3 Compliance with the new fiscal rules under the Economic Governance Framework

As mentioned previously in the report, new fiscal rules will be put in place as part of the Economic Governance Framework where such rules will put more focus on aligning Government expenditure with a set net expenditure growth path. Recognising the need to gradually reduce the deficit while continuing to support economic stability, the Government took proactive steps to improve the deficit-to-GDP ratio. Specifically, the Government pre-empted the fiscal implications of these new regulations within the last Draft

Box 2: The Reformed EU Economic Governance Framework

On 30 April 2024, the revised EU economic governance framework entered into force with the purpose of guiding Member States in achieving their economic and fiscal policy objectives. These primarily involve the safeguarding of sound public finances, the movement toward macroeconomic convergence, and addressing macroeconomic imbalances.

The main aim of the reform is to devise a set of country-specific targets meant to ensure medium term debt sustainability through the control of the growth of nationally financed primary expenditure net of discretionary revenue measures. The reformed framework has a medium-term focus, tailored to country-specific characteristics as enshrined into the European Commission's Debt Sustainability Analysis framework. This Framework ensures that medium-term fiscal targets are established at a country level, depending on the level of public debt, their growth potential, and the country-specific risks to fiscal sustainability. Differentiated fiscal strategies are meant to strengthen the credibility and national ownership of the framework, and thus avoid a one-size fits all approach. Moreover, by adopting a medium-term approach (thereby allowing a more gradual risk-based reduction in public debt) the framework also seeks to strengthen inclusive growth through growth-enhancing reforms and investments.

The new framework is centred around the implementation of national medium-term fiscal-structural plans. Each Member State is to present a medium-term plan, wherein they commit to a ceiling of nationally financed net primary expenditure growth, referred to as the net expenditure path. The net expenditure path covers a period of four to five years, depending on the length of the national legislature. The focus on an expenditure rule is aimed at enhancing counter-cyclical fiscal policy, as the rule is not affected by fluctuations in revenues and unemployment expenditure. In addition to the fiscal commitment, the medium-term plan should also contain broader reforms and investments that are necessary to address the green and digital transition and the need to strengthen energy security, amongst other priorities.

The fiscal adjustment period can be extended by a maximum of three years if the medium-term plan is underpinned by a set of reforms and investments, providing for sustainable debt reductions. These reforms and investments should fulfil a set of criteria, primarily by addressing common EU priorities, improve economic growth and fiscal sustainability, and address country-specific challenges identified in the European Semester. The reforms and investments underpinning an extension should be time bound and verifiable, to allow for monitoring of their implementation.

The country-specific net expenditure path ensures that debt is put on a downward path or maintained at prudent levels over the medium-term, while maintaining the deficit below the treaty reference value of 3.0 per cent of GDP over the medium-term. Apart from the risk-based and country-specific criteria, the framework introduces several safeguards, such that the net expenditure path leads to a minimum debt reduction when public debt is above 60.0 per cent of GDP, and a minimum fiscal adjustment when the deficit is above 3.0 per cent of GDP. Moreover, the fiscal adjustment should continue until a structural deficit of 1.5 per cent of GDP is reached.

After the adoption by the Council of the medium-term fiscal-structural plan, the net expenditure path will become the sole operational rule for the forthcoming years. Compliance with the net expenditure path would then be subject to monitoring by the European Commission, and deviations are tracked in a control account which will serve as a basis for enforcement mechanisms, namely the debt-based Excessive Deficit Procedure.

Malta's fiscal policy for 2025 is being planned under the revised EU economic governance framework. Accordingly, Malta will present the medium-term fiscal-structural plan later during the year and it will contain the fiscal constraint for the next four years, in line with the new EU fiscal and economic framework. Specifically for Malta, given its relatively high potential economic growth and relatively low debt-to-GDP ratio, the fiscal strategy shall ensure compliance with a net primary expenditure growth target consistent with a minimum structural effort of 0.5 per cent of GDP until the deficit reaches 3.0 per cent of GDP.

Budgetary Plan for 2024, where expenditure projections already reflect these new developments. In keeping in line with the new regulations, the Government plans to limit the growth in net expenditure to a rate consistent with reducing the general Government deficit by 0.5 percentage points of GDP annually. This would ensure that Malta would attain the target

of 3.0 per cent of GDP Treaty reference value over the next four years and maintain the general Government debt at a prudent level over the medium term. This commitment aligns with the agreed Economic Governance Framework and the Fiscal Responsibility Act.

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

Table 1

	Jan-June 2023 <i>Actual</i> € 000	Jan-June 2024 <i>Actual</i> € 000
Consolidated Fund	-258,552	-89,763
1. Total Revenue	2,781,208	3,250,195
Taxes, of which:	2,019,249	2,430,866
Current Taxes on Income, Wealth, etc	1,083,690	1,413,508
Taxes on Production and Imports, of which:	935,559	1,017,358
VAT	617,021	719,405
Social Contributions	502,527	542,356
Market Output	79,468	110,953
Current Transfers	10,524	12,371
Capital Transfers	156,237	135,993
Property Income	13,204	17,655
2. Total Expenditure	3,039,760	3,339,958
Intermediate Consumption	464,592	445,291
Compensation of employees	633,115	676,841
Interest	101,218	126,918
Subsidies	178,257	208,639
Social Benefits	849,390	956,180
Current Transfers	652,787	688,461
Capital Transfers Payable	49,227	91,570
Capital Investment	111,174	146,056

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

Central Government Finances by Expenditure Vote (Consolidated Fund)

Table 2

	Jan - Dec 2023 <i>Actual</i> € 000	Jan - Dec 2024 <i>Approved Estimate</i> € 000	Jan - Jun 2023 <i>Actual</i> € 000	Jan - Jun 2023 <i>Actual as a % of 2023</i>	Jan - Jun 2024 <i>Actual</i> € 000	Jan - Jun 2024 <i>Actual as a % of 2024</i>
Recurrent Expenditure						
1 Office of the President	5,554	5,477	2,760	49.7	2,533	46.2
2 Parliamentary Service	10,600	12,520	5,317	50.2	7,497	59.9
3 Office of the Ombudsman	1,549	1,486	1,000	64.6	500	33.6
4 National Audit Office	4,200	4,000	2,450	58.3	2,400	60.0
5 Commissioner for Standards in Public Life	225	450	---	---	---	---
6 Office of the Prime Minister	59,745	59,430	26,684	44.7	22,021	37.1
7 Information	1,328	1,525	632	47.6	610	40.0
8 Government Printing Press	1,879	1,975	940	50.0	943	47.7
9 Electoral Office	3,603	9,361	1,591	44.2	5,985	63.9
10 Public Service Commission	732	817	329	44.9	334	40.9
11 Industrial and Employment Relations	2,046	2,236	926	45.3	1,009	45.1
12 Ministry for Health	943,885	1,016,271	427,832	45.3	411,801	40.5
13 Ministry for the National Heritage, the Arts and Local Government	67,292	70,719	31,392	46.7	32,597	46.1
14 Local Government	54,776	61,489	30,316	55.3	43,722	71.1
15 Ministry for Foreign and European Affairs and Trade	56,808	58,616	19,737	35	23,645	40.3
16 Ministry for Social Policy and Children's Rights	60,625	67,821	28,782	47	38,709	57.1
17 Social Policy	481,313	518,989	190,512	39.6	210,207	40.5
18 Social Security Benefits	1,306,138	1,492,355	678,930	52.0	772,927	51.8
19 Pensions	102,236	104,225	51,046	49.9	54,948	52.7
20 Ministry for Agriculture, Fisheries and Animal Rights	69,320	74,933	29,569	42.7	29,874	39.9
21 Ministry for Social and Affordable Accomodation	42,699	48,784	18,417	43.1	30,598	62.7
22 Ministry for the Economy, European Funds and Lands	64,958	59,900	26,014	40.0	38,735	64.7
23 Commerce	1,884	2,026	878	47	846	41.8
24 Ministry for Inclusion, Voluntary Organisations and Consumer Rights	52,639	63,040	24,323	46	26,731	42.4
25 Ministry for Transport, Infrastructure and Capital Projects	130,119	124,221	50,236	39	60,831	49.0
26 Ministry for Gozo	62,093	64,187	29,217	47.1	32,383	50.5
27 Ministry for Home Affairs, Security, Reforms and Equality	78,227	75,530	35,903	45.9	64,765	85.7
28 Armed Forces of Malta	72,919	77,225	33,394	45.8	36,574	47.4
29 Police	92,487	100,126	42,733	46.2	47,811	47.8
30 Probation and Parole	1,436	1,542	657	46	683	44.3
31 Civil Protection	10,559	11,886	5,176	49.0	6,206	52.2
32 Ministry for Tourism	169,257	148,492	74,558	44.1	75,443	50.8
33 Ministry for the Environment, Energy and Enterprise	482,474	578,604	179,170	37.1	143,991	24.9
34 Ambient Malta	16,776	17,829	7,568	45.1	8,283	46.5
35 Ministry for Finance and Employment	285,010	319,662	113,465	39.8	153,994	48.2
36 Economic Policy	1,978	2,108	1,072	54.2	903	42.8
37 Treasury	48,328	46,765	7,990	16.5	37,922	81.1
39 Malta Tax and Customs Administration	---	48,129	---	---	24,652	51.2
40 Contracts	3,069	3,518	1,506	49.1	1,309	37.2
41 Ministry for Education, Sport, Youth, Research and Innovation	396,246	418,316	201,590	50.9	212,567	50.8
42 Education	374,334	429,303	189,493	50.6	198,160	46.2
43 Ministry for Public Works and Planning	38,465	41,472	16,397	42.6	14,428	34.8
44 Ministry for Justice	54,236	50,674	26,049	48.0	31,851	62.9
45 Ministry for Active Ageing	243,546	274,222	124,345	51.1	155,510	56.7
[Commissioner for Revenue	34,598	---	16,405	47.4	---	---
[Customs	14,328	---	6,713	46.9	---	---
TOTAL RECURRENT EXPENDITURE	6,006,519	6,572,256	2,764,014	46.0	3,067,438	46.7

Central Government Finances by Expenditure Vote (Consolidated Fund)

Table 2

	Jan - Dec 2023 <i>Actual</i> € 000	Jan - Dec 2024 <i>Approved Estimate</i> € 000	Jan - Jun 2023 <i>Actual</i> € 000	Jan - Jun 2023 <i>Actual as a % of 2023</i>	Jan - Jun 2024 <i>Actual</i> € 000	Jan - Jun 2024 <i>Actual as a % of 2024</i>
38 Public Debt Servicing						
Contribution to Special MGS Sinking Fund	30,000	30,000	0	---	0	---
Interest - Local	213,391	270,805	99,755	46.7	126,664	46.8
Repayment of Loan - Local	445,656	489,145	147,831	33.2	92,947	19.0
Early Repayment of MGRSB	6,297	4,685	3,342	53.1	2,330	49.7
Contribution to Sinking Fund - Foreign	50	30	25	50.0	15	50.0
Interest - Foreign	896	895	249	27.8	248	27.7
TOTAL PUBLIC DEBT SERVICING	696,290	795,560	251,202	36.1	222,204	27.9
TOTAL RECURRENT EXPENDITURE AND PUBLIC DEBT SERVICING	6,702,809	7,367,816	3,015,216	45.0	3,289,642	44.6
Capital Expenditure						
I Office of the President	726	521	135	18.6	229	44.0
II Parliamentary Service	761	781	161	21.2	---	---
III Office of the Prime Minister	39,232	43,117	16,522	42.1	15,338	35.6
IV Ministry for Health	66,683	81,250	24,575	36.9	12,009	14.8
V Ministry for the National Heritage, the Arts and Local Government	37,325	41,070	7,693	20.6	23,109	56.3
VI Ministry for Foreign and European Affairs and Trade	7,768	7,183	3,382	43.5	1,230	17.1
VII Ministry for Social Policy and Children's Rights	2,570	4,885	878	34	2,063	42.2
VIII Ministry for Agriculture, Fisheries and Animal Rights	43,118	39,436	17,004	39	26,360	66.8
IX Ministry for Social and Affordable Accomodation	4,892	233	726	15	95	40.8
X Ministry for the Economy, European Funds and Lands	95,733	63,030	43,107	45.0	23,332	37.0
XI Ministry for Inclusion, Voluntary Organisations and Consumer Rights	8,280	4,596	2,308	27.9	1,084	23.6
XII Ministry for Transport, Infrastructure and Capital Projects	184,117	143,134	69,569	38	107,191	74.9
XIII Ministry for Gozo	27,286	19,953	6,964	26	7,614	38.2
XIV Ministry for Home Affairs, Security, Reforms and Equality	49,719	50,330	21,006	42	18,397	36.6
XV Ministry for Tourism	53,190	44,571	15,403	29.0	6,722	15.1
XVI Ministry for the Environment, Energy and Enterprise	200,757	213,251	33,483	16.7	4,221	2.0
XVII Ministry for Finance and Employment	65,184	21,001	9,274	14	4,367	20.8
XVIII Ministry for Education, Sport, Youth, Research and Innovation	79,111	91,553	30,322	38.3	39,715	43.4
XIX Ministry for Public Works and Planning	21,277	20,672	7,377	---	4,638	22.4
XX Ministry for Justice	5,794	9,328	3,731	64.4	509	5.5
XXI Ministry for Active Ageing	4,394	4,620	1,684	38.3	1,928	41.7
TOTAL CAPITAL EXPENDITURE	997,917	904,515	315,304	31.6	300,151	33.2
XVII Ministry for Finance and Employment						
Investment - Equity Acquisition	5,504	215,000	5,504	100.0	180,742	84.1
TOTAL CAPITAL EXPENDITURE AND INVESTMENT	1,003,421	1,119,515	320,808	32.0	480,893	43.0
TOTAL EXPENDITURE	7,706,230	8,487,331	3,336,024	43.3	3,770,535	44.4

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

Table 3

	Personal Emoluments		Operational and Maintenance Expenses		Programmes and Initiatives		Contributions to Government Entities	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Jan-Jun 2023 € 000	Jan-Jun 2024 € 000	Jan-Jun 2023 € 000	Jan-Jun 2024 € 000	Jan-Jun 2023 € 000	Jan-Jun 2024 € 000	Jan-Jun 2023 € 000	Jan-Jun 2024 € 000
General Public Services	69,563	76,671	29,858	33,007	198,376	310,827	87,587	82,113
Defense	28,063	30,777	4,914	5,427	416	370	-	-
Public Order and Safety	48,677	54,684	6,832	6,767	7,603	27,581	23,037	32,383
Economic Affairs	32,712	34,715	15,868	7,395	153,720	139,107	89,702	99,752
Environmental Protection	0	-	32	23	5,498	18	18,744	7,350
Housing and Community Affairs	-	-	-	-	15,254	19,369	-	5,250
Health	179,757	198,684	48,020	39,368	150,560	129,904	49,495	43,845
Recreation, culture and religion	4,434	4,743	899	1,089	10,576	11,230	16,115	16,145
Education	150,076	159,134	12,872	16,301	147,739	152,419	80,396	82,869
Social Protection	35,915	40,994	33,771	48,226	993,521	1,125,180	13,417	23,721
Total	549,197	600,402	153,066	157,603	1,683,263	1,916,005	378,494	393,428

	Interest Expenditure		Capital Expenditure		Total expenditure	
	Actual	Actual	Actual	Actual	Actual	Actual
	Jan-Jun 2023 € 000	Jan-Jun 2024 € 000	Jan-Jun 2023 € 000	Jan-Jun 2024 € 000	Jan-Jun 2023 € 000	Jan-Jun 2024 € 000
General Public Services	100,004	126,913	147,274	155,580	632,662	785,110
Defense	-	-	2,314	2,082	35,708	38,656
Public Order and Safety	-	-	18,723	16,317	104,872	137,732
Economic Affairs	-	-	74,689	47,980	366,691	328,948
Environmental Protection	-	-	6,954	130	31,228	7,521
Housing and Community Affairs	-	-	661	13	15,915	24,632
Health	-	-	24,575	12,010	452,407	423,811
Recreation, culture and religion	-	-	7,166	22,240	39,190	55,447
Education	-	-	30,322	39,715	421,405	450,438
Social Protection	-	-	2,627	4,086	1,079,251	1,242,208
Total	100,004	126,913	315,304	300,152	3,179,328	3,494,502

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 4

	2023 Jan - Jun € 000	2024 Jan - Jun € 000
Consolidated Fund Surplus / Deficit	-258,552	-89,889 ¹
Adjustments to the Consolidated Fund:		
Loan Repayment	0	0
Equities, acquisitions (+)	0	0
Equities, sales (-)	0	0
Other financial transactions	0	0
Difference between interest paid (+) and interest accrued (-)	3,905	13,786
Other accounts receivable (+) and payable (-)	-201,912	-123,797
Time-adjusted cash transactions	174,423	-58,038
Payable tax credits	-10,250	0
Treasury Clearance Fund flows in non-financial transactions	-3,349	-150
Sinking Fund interests' received	2,797	3,824
Quarterly adjustments	-44,877	-49,948
EFSF re-routing	71	0
Equity injection	0	0
Rerouting/PPP adjustments	-3,115	-4,675
Standardised guarantees	48	0
Debt assumption	0	0
Other adjustments	0	0
 Net Borrowing (-) / Net Lending (+) of Extra Budgetary Units	 68,619	 63,752
 Net Lending (+) / Net Borrowing (-) of Local Government	 2,351	 2,351
Net Lending (+) / Net Borrowing (-) of General Government	-269,840	-242,784

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.
5. Accruals adjustment for all the Budgetary Central Government. Includes amongst which: Treasury Department accrual.
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.
11. The aggregated net borrowing (-) / net lending (+) of the 68 local councils, 5 Regional Committees and Local Councils.

For further information on the ESA 2010 adjustments refer to Malta's EDP Inventory at:
<https://nso.gov.mt/wp-content/uploads/2023/01/EDP-Inventory-ESA-2010.pdf>

Annual Aggregate Budgetary Targets in Accordance with ESA standards

Table 5

	ESA Code	2023 % GDP	2024 ^{af} % GDP
Net lending (+)/Net borrowing (-) by sub-sector			
1. General Government	S.13	-4.9	-4.5
2. Central Government	S.1311	-4.9	-4.4
3. State Government	S.1312	-	-
4. Local Government	S.1313	0.0	0.0
5. Social Security funds	S.1314	-	-
General Government (S.13)			
6. Total Revenue	TR	33.4	33.2
7. Total Expenditure	TE	38.4	37.7
8. Interest Expenditure	D.41	1.1	1.3
9. Primary Balance ^(a)		-3.8	-3.1
10. One-off and other temporary measures ^(b)		0.0	0.0
11. Real GDP growth (%)		5.7	4.2
12. Potential GDP growth (%)		4.5	4.4
13. Output Gap (%)		-0.5	-0.6
14. Cyclical Budgetary Component		-0.2	-0.3
15. Cyclically-Adjusted Balance (1 - 14)		-4.7	-4.2
16. Cyclically-Adjusted Primary Balance (15 + 8)		-3.6	-2.8
17. Structural Balance (15 - 10)		-4.7	-4.2

Notes:

af - Autumn (Budget) Forecasts as a % of Autumn 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.

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

Table 6

	Net Collectable Arrears as on 31/12/22 €	As published in 2024 Financial Estimates €	Target			Arrears Collected		Total €
			Quarter 1 €	Quarter 2 €	Total €	Quarter 1 €	Quarter 2 €	
Office of the Prime Minister								
<i>Office of the Prime Minister</i>	1,560	156	39	39	78	61	0	61
<i>Information</i>	15,900	1,590	398	398	795	395	0	395
<i>Government Printing Press</i>	1,098,806	109,881	27,470	27,470	54,940	4,786	3,564	8,350
<i>Electoral Office</i>	4,052	405	101	101	203	0	0	0
<i>Industrial and Employment Relations</i>	76,778	7,678	1,919	1,919	3,839	630	330	960
	<u>1,197,096</u>	<u>119,710</u>	<u>29,927</u>	<u>29,927</u>	<u>59,855</u>	<u>5,872</u>	<u>3,894</u>	<u>9,766</u>
Ministry for Health								
<i>Ministry</i>	5,199,969	519,997	129,999	129,999	259,998	124,448	75,059	199,506
<i>Mater Dei Hospital</i>	12,642,810	1,264,281	316,070	316,070	632,141	40,049	32,707	72,756
<i>Central Procurement and Supplies Unit</i>	15,312	1,531	383	383	766	0	0	0
<i>Primary Health Care</i>	12	1	0	0	0	0	0	0
<i>Sir Anthony Mamo Oncology Centre / Sir Paul Boffa</i>	93,651	9,365	2,341	2,341	4,683	0	0	0
	<u>17,951,754</u>	<u>1,795,175</u>	<u>448,794</u>	<u>448,794</u>	<u>897,587</u>	<u>164,497</u>	<u>107,766</u>	<u>272,262</u>
Ministry for National Heritage, the Arts and Local Government			0	0	0	0	0	0
Ministry for Foreign and European Affairs and Trade	311,033	31,103	7,776	7,776	15,552	0	0	0
Ministry for Social Policy and Children's Rights								
<i>Social Security Benefits</i>	23,241,731	2,324,173	581,043	581,043	1,162,087	3,080,063	3,414,307	6,494,370
<i>Pensions</i>	48,849,022	4,884,902	1,221,226	1,221,226	2,442,451	61,604	556,721	618,326
	<u>72,090,753</u>	<u>7,209,075</u>	<u>1,802,269</u>	<u>1,802,269</u>	<u>3,604,538</u>	<u>3,141,667</u>	<u>3,971,028</u>	<u>7,112,696</u>
Ministry for Agriculture, Fisheries, Food and Animal Rights	1,067,005	106,701	26,675	26,675	53,350	5,060	7,855	12,914
Ministry for the Economy, European Funds and Lands								
<i>TV Licences</i>	6,013,459	601,346	150,336	150,336	300,673	0	0	0
<i>Malta Gaming Authority</i>	566,052	56,605	14,151	14,151	28,303	750	42,750	43,500
<i>Malta Communications Authority</i>	1,438,953	143,895	35,974	35,974	71,948	1,171	1,913	3,084
<i>Lands Authority</i>	67,104,318	6,710,432	1,677,608	1,677,608	3,355,216	511,678	585,414	1,097,092
<i>Commerce Department</i>	15,609	1,561	390	390	780	4,349	4,711	9,060
	<u>75,138,391</u>	<u>7,513,839</u>	<u>1,878,460</u>	<u>1,878,460</u>	<u>3,756,920</u>	<u>517,948</u>	<u>634,788</u>	<u>1,152,736</u>
Ministry for Transport, Infrastructure and Capital Projects								
<i>Ministry</i>	517,996	51,800	12,950	12,950	25,900	11,994	9,435	21,429
<i>Transport Malta</i>	39,825,408	3,982,541	995,635	995,635	1,991,270	6,597	8,031	14,628
	<u>40,343,404</u>	<u>4,034,341</u>	<u>1,008,585</u>	<u>1,008,585</u>	<u>2,017,170</u>	<u>18,591</u>	<u>17,466</u>	<u>36,057</u>
Ministry for Gozo	53,961	5,396	1,349	1,349	2,698	0	0	0
Ministry for Home Affairs, Security, Reforms and Equality								
<i>Ministry</i>	4,637	464	116	116	232	140	0	140
<i>Armed Forces of Malta</i>	0	0	0	0	0	958	0	958
<i>Police</i>	1,668,510	166,851	41,713	41,713	83,426	29,865	105,155	135,020
<i>Civil Protection Department</i>	58,358	5,836	1,459	1,459	2,918	0	0	0
	<u>1,731,505</u>	<u>173,151</u>	<u>43,288</u>	<u>43,288</u>	<u>86,575</u>	<u>30,963</u>	<u>105,155</u>	<u>136,118</u>
Ministry for Tourism								
<i>Cleansing and Maintenance Division</i>	1,148,515	114,852	28,713	28,713	57,426	50	100	150
<i>Malta Tourism Authority</i>	67,715	6,772	1,693	1,693	3,386	22,810	24,983	47,792
	<u>1,216,230</u>	<u>121,623</u>	<u>30,406</u>	<u>30,406</u>	<u>60,812</u>	<u>22,860</u>	<u>25,083</u>	<u>47,942</u>
Ministry for the Environment, Energy and Enterprise	12,486	1,249	312	312	624	2,161	200	2,361
Ministry for Finance and Employment								
<i>Ministry</i>	1,735,835	173,584	43,396	43,396	86,792	949	1,281	2,230
<i>Income Tax and Social Security Contributions</i>	421,441,181	42,144,118	10,536,030	10,536,030	21,072,059	38,919,278	33,995,316	72,914,594
<i>VAT</i>	387,993,317	38,799,332	9,699,833	9,699,833	19,399,666	29,923,612	25,968,646	55,892,258
<i>Customs Department</i>	9,902,417	990,242	247,560	247,560	495,121	39,681	28,061	67,742
<i>Contracts</i>	159,973	15,997	3,999	3,999	7,999	0	0	0
	<u>821,232,723</u>	<u>82,123,272</u>	<u>20,530,818</u>	<u>20,530,818</u>	<u>41,061,636</u>	<u>68,883,521</u>	<u>59,993,304</u>	<u>128,876,824</u>
Ministry for Education, Sport, Youth, Research and Innovation								
<i>Ministry</i>	1,286,858	128,686	32,171	32,171	64,343	2,360	1,233	3,594
<i>Education</i>	379,779	37,978	9,494	9,494	18,989	24,364	1,403	25,767
	<u>1,666,637</u>	<u>166,664</u>	<u>41,666</u>	<u>41,666</u>	<u>83,332</u>	<u>26,725</u>	<u>2,637</u>	<u>29,361</u>
Ministry for Justice								
<i>Ministry</i>	69,247	6,925	1,731	1,731	3,462	0	0	0
<i>Attorney General</i>	10,709	1,071	268	268	535	0	0	0
<i>State Advocate</i>	215,762	21,576	5,394	5,394	10,788	2,253	23,747	26,000
<i>Courts Services Agency (1)</i>	9,571,548	957,155	239,289	239,289	478,577	221,253	170,723	391,976
	<u>9,867,266</u>	<u>986,727</u>	<u>246,682</u>	<u>246,682</u>	<u>493,363</u>	<u>223,506</u>	<u>194,470</u>	<u>417,976</u>
Ministry for Active Ageing	301,758	30,176	7,544	7,544	15,088	0	690	690
Total			<u>26,104,550</u>	<u>26,104,550</u>	<u>52,209,100</u>	<u>73,043,369</u>	<u>65,064,335</u>	<u>138,107,704</u>

Note:

(1) Court Services Agency (CSA) reported an amount of €214,181 (€169,510 1st qtr and €44,671 2nd qtr) in respect of fines were considered as not due, revoked, cancelled or converted into imprisonment.

Statement of General Government Sector Debt

Table 7

	Jan-Dec 2023	Jan-Dec 2024 <i>Budget</i>	Jan-Jun 2023	Jan-Jun 2024	Jan-Dec 2024 <i>Revised</i>
	<i>Actual</i> € 000	<i>Estimate</i> € 000	<i>Actual</i> € 000	<i>Actual</i> € 000	<i>Estimate</i> € 000
General Government Debt					
Malta Government Stocks (MGS)	7,813,248	9,303,731	7,092,877	8,145,577	9,303,731
Malta Government Retail Savings Bonds (MGRSB)	351,743	254,495	354,697	328,691	254,495
Treasury Bills	558,172	658,449	747,834	532,059	658,449
Foreign Loans	492,463	420,344	420,527	492,398	420,344
EBU's and Local Councils	146,898	151,762	146,877	147,998	151,762
Currency	102,752	116,711	100,368	104,347	116,711
ESA Rerouted Debt	302,530	304,686	297,073	303,873	304,686
Total	9,767,805	11,210,178	9,160,254	10,054,943	11,210,178
Public Debt Servicing					
Local Loans					
Interest - Short Term Borrowing (Treasury Bills)	18,483	15,000	7,171	10,968	15,000
Interest (MGS/MGRSB)	194,908	255,805	92,584	115,699	255,805
<i>(A) Total Interest - Local Loans</i>	213,391	270,805	99,755	126,666	270,805
Contributions to Sinking Funds					
Contribution to Special MGS Sinking Fund	30,000	30,000	0	0	30,000
Direct Loan Repayment ¹	445,656	489,145	217,923	92,947	489,145
Early Repayment of MGRSB	6,297	4,685	3,343	2,330	4,685
<i>(B) Direct Loan repayments including Early Repayments of MGRSB and Contributions to Sinking Funds</i>	481,952	523,830	221,265	95,277	523,830
Total Servicing of Local Loans (A + B)	695,343	794,635	321,021	221,943	794,635
Foreign Loans					
Interest	896	895	249	248	895
Contributions to Sinking Funds	50	30	25	15	30
Total Servicing of Foreign Loans	946	925	274	263	925

⁽¹⁾ For Direct Loan Repayments of 'Jan-Jun 2023 Actual', the figure has changed since the Half-Yearly Report 2023 due to a correction in the treatment of the 62+ rollover; whereas previously only the net effect of the rollover was included in the Direct Loan Repayments amount, this figure now correctly accounts for the full redemption of this bond independent of the new amount issued (or 'rolled over') in its place. This brings it in line with how it was being treated by the end of 2023.