Malta:
Annual Report 2016

In line with Article 41 of the Fiscal Responsibility Act

Ministry for Finance

June 2017

Contents

1. Introduction

The Annual Report is in line with Article 41 of the Fiscal Responsibility Act, and is the third report since the enactment of the Act.

The Annual Report provides information on the execution of the Budget for 2016 and compares the outcomes with the strategic objectives and priorities outlined in the fiscal strategy and the fiscal targets as announced in the Budget for 2016. It analyses how the Government has observed the principles and rules stipulated in the Fiscal Responsibility Act. In addition, it assesses whether the fiscal and budgetary policies in the completed budget year are in line with the medium-term objective stipulated in the fiscal strategy. It also provides explanations regarding any deviations from the Government's medium-term objectives and how these are to be addressed and explain the outcome of the Budget in the context of the Government's European commitments in terms of the Stability and Growth Pact.

The Annex of this report also includes the final execution data for the indicators provided in the Medium Term Fiscal Plan.

2. Meeting 2016 Budgetary Estimates

This section provides information on the execution of the 2016 Budget as announced on the 12th October 2015. It also compares the 2016 outcome with the strategic objectives and priorities of the fiscal strategy and targets as announced in the 2016 Budget.

The cash-based position in this section relates to the Central Government's Consolidated Fund. All allocations provided from the Consolidated Fund are either authorised by the House of Representatives under an Appropriation Act, or are permanently appropriated by the House under other relevant legislation.

The revenue and expenditure figures presented in this Section are based on actual cash transactions, and are not normally subject to revision. Financial transactions, such as proceeds from loans, proceeds from sale of financial assets, and revenue from other accounts of Government are not taken into consideration. Likewise, direct loan repayments, contributions to sinking funds, acquisition of equity, as well as transfers into other accounts of Government, are excluded from the total expenditure. In this sense, data presented in this section will differ from the data in Section Four which presents the data for General Government in line with the ESA 2010 definition.

In the Budget for 2016, the Government set a Consolidated Fund deficit target of -€196.0 million, down from a deficit of -€232.8 million in 2015. Table 2 of the Annex presents Government's final fiscal position for 2016 compared to the targets as initially set out in the annual budget for 2016.

In 2016, tax revenue was €166.1 million more than forecasted, mainly due to higher income tax receipts. The better than expected performance is mainly due to an element of prudence in-built in the original projections, in reflection of heightened policy risks mainly from the international political environment. In addition, higher than expected and more tax rich macroeconomic growth conditions augmented the variance between revenue projections and the actual outturn. Most of this is related to substantial upward revisions in historical national accounts data, which corrected for an underestimation of gross operating surplus. As a result, the Ministry's fiscal forecasting model was also underestimating the potential growth of the corporate income tax base, determined by the average operating surplus of previous years to reflect potential lags in the collection of revenue and corresponding refunds. Revenue from licences, taxes and fines was €36.6 million higher than target mainly reflecting higher income from duty on documents. Meanwhile, higher than estimated revenue from social contributions (+€18.7 million) was in part offset by lower than expected revenue from customs and excise duties (-€6.5 million) and VAT (-€4.2 million).

Non-tax revenue was €27.6 million higher than planned for in the Budget, mainly due to higher than budgeted revenue from fees of office, reflecting higher proceeds from the International Investor Programme, and miscellaneous receipts.

On the expenditure side, in response to requirements arising for the provision of public services as the year progressed, the recurrent expenditure outturn was around €58.7 million above the original budget. Indeed, higher than expected outlays towards programmes and initiatives, contribution to government entities and operations and maintenance expenditure more than offset a marginally lower than planned expenditure on personal emoluments. The latter category of expenditure registered a shortfall in most votes, although the most notable gap compared to expenditure originally budgeted was recorded by the Ministry for Foreign Affairs. Meanwhile, the most notable overruns were registered in respect of programs and initiatives, in particular by the health sector in respect of the Health Concession Agreements, whilst higher than planned contributions to government entities were attributed to the tourism and education sectors. Higher than planned operational and maintenance expenses were recorded by the health sector and in respect of the care of the elderly, mainly owing to the contractual costs necessary to provide the required services in these sectors.

These developments were more than compensated for by a lower than estimated capital expenditure, and to a lesser extent lower interest payments, against the background of the ensuing low interest rate environment and the Treasury's debt management strategy.

Government's capital expenditure witnessed a more pronounced decline than estimated in the 2016 Budget reflecting lower spending on EU funded projects under the new EU funding programme 2014-2020. In this context, the decline in EU funded capital expenditure does not impact the budget balance significantly except for the co-financing element.

2.1 General Government Public Debt

Actual general Government gross debt for 2016 was €117.5 million lower than the 2016 Budget projections, equivalent to a 2.0 percentage points decrease from the 2016 gross debt estimates. This was mainly on account of the better than expected budgetary outcome. As a result financing needs declined. These mainly manifested themselves in a lower than anticipated outstanding Treasury Bills balance, from €366.0 million projected in the 2016 Budget estimates to an actual level of €254.0 million.

Table 3 of the Annex presents the composition of actual general Government public debt for 2016 compared to the estimates presented in the 2016 Budget. As observed in Table 3, general Government public debt is mainly financed by issues of Malta Government Stocks, although their outstanding balance at end December 2016 was marginally lower by €3.5 million from the 2016 Budget estimates. This was partly offset by a €2.7 million higher than estimated outstanding balance for EBU's and Local Councils such that their balance was €123.8 million in 2016. Meanwhile, the other components of general Government public debt remained relatively unchanged.

3. Respecting the Principles and Rules within the Fiscal Responsibility Act

The following section of the Annual report analyses how the Government has respected the principles and rules stipulated in the Fiscal Responsibility Act, and explains any deviations from the Act.

The Fiscal Responsibility Act (FRA) was enacted by Parliament on 8th August 2014. The Act established fiscal rules which bind national fiscal authorities in achieving a balanced structural budget, or in its absence, convergence towards the medium-term budgetary objective. This requires a minimum structural effort of 0.5 percentage points of GDP per annum, with a higher effort in good times, whereas the effort could be lower in bad times. The Act also requires the Ministry for Finance to maintain public debt at sustainable levels (lower than 60 per cent of GDP) over the medium and long term. When the debt-to-GDP ratio exceeds 60 per cent of GDP, it shall be reduced in accordance with the 1997 Excessive Deficit Regulation until the ratio reaches 60 per cent.

The FRA also put stronger emphasis on medium-term planning, a more transparent budgeting process, procedures for the independent assessment of macroeconomic and fiscal forecasts and the independent monitoring of compliance with fiscal rules.

In terms of the Act, Ministries, Departments and Government Entities are required to prepare their three-year business and financial plans which are based on the (most recently announced) medium-term fiscal strategy. In this regard, in 2016, the Ministry for Finance (MFIN) issued circular MF1/16 (entitled 2017-2019 Business and Financial Plans).

Procedures are now established for the independent assessment of macroeconomic and fiscal forecasts and the independent monitoring of compliance with fiscal rules. In carrying out its tasks, the MFAC made a series of interrelated recommendations in its first Annual Report for 2015, dealing with the conduct of fiscal policy, the introduction of new legislation, improving the budgetary process and fiscal transparency. In its 2016 Annual report, the MFAC reviewed the progress achieved with respect to these recommendations and noted that progress has been registered and that many of their recommendations had been addressed. These recommendations included ensuring full consistency between the macro and fiscal forecasts; the extension of the average maturity of public debt; the use of revenue windfalls primarily to build fiscal buffers; the cautious utilisation of the Individual Investor Programme funds; and the consideration of a buffer over the required minimum structural effort. The MFAC made new recommendations in 2016 focusing again on the conduct of fiscal policy, improving the budgetary process and enhancing fiscal transparency.

No major revisions to the fiscal framework have been carried out in 2016, although some minor changes are envisaged in 2017 to ensure full legislative compliance with the Directive on Budgetary Frameworks. In addition, it is worth noting that the European Commission has evaluated Malta's transposition of the Fiscal Compact and concluded that the FRA transposes in full the requirements of the Fiscal Compact in national legislation, including through provisions of binding force and permanent character, preferably constitutional, or otherwise guaranteed to be fully respected and adhered to throughout the national budgetary processes.

3.1 Respecting the Budget Balance Rule

In 2016, the national fiscal authorities were required to ensure sufficient progress towards the medium-term objective (MTO) through enhanced budgetary discipline resulting in a budgetary effort greater than 0.5 per cent of GDP. To this effect, and based on expected one-off revenues of 0.1 per cent of GDP and a forecast output gap of 1.6 per cent of potential GDP, the Ministry for Finance targeted a structural effort of 0.8 percentage points of GDP. This fiscal effort was consistent with a deficit target of 0.7 per cent of GDP for 2016.

Actual data shows that this target was overachieved and a budget surplus of 1.0 per cent of GDP was achieved. The more favourable cyclical economic conditions contributed in part to the better than expected fiscal outcome. Outlays in respect of the Presidency of the Council of the European Union (excluding expenditure on compensation of employees) are now being considered as one-off expenditure in the estimation of the structural budget balance, since such expenditure has a significant, albeit transitory, budgetary effect. Such change in treatment positively impacted the structural effort in 2016, albeit marginally by around 0.2 percentage points of potential GDP. Nevertheless, a more positive output gap than originally estimated neutralised such impact.

Nevertheless, even if one were to remove the positive effect of these cyclical conditions and also one-offs, a positive structural balance of 0.2 per cent of GDP is noted for 2016. As a result, the structural balance improved by 2.8 percentage points in 2016 thus exceeding the minimum requirements of the budget rule.

Table 4 of the Annex presents cyclical developments in 2016 compared to the targets presented in the 2016 Update of the Stability Programme.

3.2 Respecting the Debt Rule

Government debt has declined below the 60 per cent Treaty requirements and has reached a debt-to-GDP ratio of 58.3 per cent in 2016 from a rate of 60.6 per cent in 2015.

Compared to the 2016 Stability Programme target, the debt-to-GDP ratio decreased faster in 2016, by 2.3 percentage points of GDP, compared to a planned decline of 1.3 percentage points of GDP, reflecting a better-than-expected primary balance.

4. Meeting 2016 targets as established in the Medium Term Fiscal Plan

This section assesses if the fiscal and budgetary policies in 2016 and its results were in line with the medium-term objective stipulated in the National Medium Term Fiscal Plan as published on 30 April 2016. The section also explains in more detail the deviations, if any, from the Government's medium-term objectives and how these are to be addressed.

The assessment of deviations with the targets established in the 2016 Medium Term Fiscal Plan is undertaken in terms of data classified according to the European System of Accounts (ESA) 2010, and consequently the data presented in this section is not comparable to that classified in Section 2. Moreover, actual data in this section may still be subject to further revisions. It is also pertinent to note that the targets for 2016 as prepared in April 2016 were different from those underlying the Budget presented in October 2015 due to updated fiscal information available and revised macroeconomic assumptions upon which the fiscal projections are based.

Table 1 of the Annex presents the macroeconomic assumptions which underpinned the 2016 Budget and the 2016 Update of the Stability Programme, together with the latest 2016 estimates available. Meanwhile, Table 5 of the Annex presents Government's final fiscal position for 2016 compared to the targets revised in the 2016 Update of the Stability Programme.

In 2016, the budgetary situation improved markedly as a surplus of €101.0 million was recorded, compared to a deficit target of €65.7 million set in the 2016 Update of the Stability Programme. In terms of GDP, the general Government balance has improved from a planned deficit target of 0.7 per cent, to a surplus of 1.0 per cent of GDP. These fiscal developments were supported by strong and sustainable economic growth which sustained robust direct tax revenue, the proceeds from the International Investor Programme, and a more contained growth in current expenditure backed by the Comprehensive Spending Reviews.

Government revenue was over €165 million higher than target, as economic growth composition was significantly influenced by tax-rich components. The positive variance from the original targets was also underpinned by the prudent assumptions underpinning the original projections in reflection of heightened policy risks mainly resulting from the international political environment prevalent at the time. Better than expected macroeconomic growth conditions explain around a quarter of the variance between revenue projections and the actual outturn. Most of this is related to substantial upward revisions in historical national accounts data, which corrected for an underestimation of gross operating surplus. Consequently, the Ministry's fiscal forecasting model was also underestimating the potential growth of the corporate income tax base, which is modelled as a function of the average operating surplus of previous years to reflect potential lags in the collection of revenue and corresponding refunds.

Against the background of robust growth in corporate profits in recent years and favourable labour market conditions, proceeds from current taxes on income and wealth (reflecting increases in the ratios of income tax paid by both individuals as well as companies) and social contributions registered higher takings than expected, amounting to €70.3 million and €13.5 million respectively.

In addition, higher than expected proceeds from the International Investor Programme (IIP) also contributed to above target revenue from market output and output for own final use. Revenue from the IIP was €91.5 million in excess of target. Meanwhile, other revenue was €48.2 million below target due to lower than projected capital transfers sourced from EU funds programmes. This was also reflected in lower than anticipated expenditure on gross fixed capital formation and thus largely budget neutral except for the co-financing element.

Current expenditure registered a more buoyant growth than targeted in the 2016 Stability Programme, although the increase was at a slower pace than in previous years. Compensation of employees in the public sector was €12.1 million above target, although it was lower than expected in Central Government (cash basis). Intermediate consumption exceeded the target by €22.9 million mainly due to the health concession agreements, the CHOGM, the Malta's Presidency of the EU and the EU-Africa Summit. Subsidies also exceeded targets by €19.8 million mainly due to higher film industry incentives, higher subsidies disbursed by EBUs and higher expenditure in respect of the renewable energy schemes. Meanwhile, reviews of Government spending are contributing to the achievement of improved efficiency in public spending, reduction of waste and value of money. In particular, social benefits and transfers were almost in line with the original projections, exceeding them by just 1.4 per cent.

The higher than forecasted decline in capital transfers sourced from EU funds reflected the lower than anticipated expenditure on gross fixed capital formation in 2016. Nevertheless, net capital expenditure was still higher than in 2015 and higher than estimated in the 2016 Stability Programme. The variance reflected the purchase of the yet to be privatised Selmun Palace Hotel.

4.1 General Government Public Debt

The 2016 actual ratio of general Government debt-to-GDP presented in the 2017 Stability Programme was 4.3 percentage points lower at 58.3 per cent of GDP, as compared to the estimated debt-to GDP ratio presented in the 2016 Stability Programme. Given the substantial revisions in national accounts data, which tend to affect the debt ratio significantly, it is opportune to look at the debt dynamics, particularly the target and actual change in the debt ratio compared to the previous year as illustrated in Table 6 in the Statistical Annex.

The improvement in the debt ratio of 2.3 percentage points was 1.0 percentage points stronger than anticipated. This was mainly due to a higher than expected contribution of 1.6 percentage points of the primary balance. These developments resulted despite a higher than expected debt-increasing stock-flow adjustment of 0.5 percentage points of GDP related, among others, to higher than projected IIP revenues. Meanwhile, despite better than expected growth, the 'snowball effect' contributed less to the reduction in the debt ratio than originally anticipated. This was mainly due to a lower than expected inflationary environment which more than offset the effect of higher real growth and lower interest rate environment on the debt ratio.

5. Moving towards the MTO in the Preventive Arm

The following section explains the outcome of the 2016 Budget in the context of the Government's European commitments, in particular in terms of the Stability and Growth Pact (SGP).

Malta is currently subject to the preventive arm of the Stability and Growth Pact (SGP) and should preserve a sound fiscal position which ensures compliance with the Medium-Term Objective (MTO). On 12 July 2016, the Council addressed recommendations to Malta in the context of the European Semester. In particular, in the area of public finances the Council recommended to Malta, in view of the high risk of a significant deviation, to achieve a fiscal adjustment of at least 0.6 per cent of GDP towards the medium-term objective in 2016 and in 2017, by taking the necessary structural measures.

In 2016, Malta reported headline and structural budget surpluses, in line with the provisions of the Stability and Growth Pact. The structural budget balance of 0.2 per cent of GDP was backed by a strong structural effort of 2.8 per cent of GDP, which is well above the fiscal consolidation effort requested by the Council and 2.0 percentage points in excess of the target set in the Medium Term Fiscal Plan. The MTO of a balanced structural budget was thus already achieved in 2016, well ahead of the 2019 target consistent with the calendar of convergence established by the European Commission for Malta. The recent fiscal developments were supported by strong and sustainable economic growth which sustained robust direct tax revenue, the proceeds from the International Investor Programme, and a more contained growth in current expenditure backed by the Comprehensive Spending Reviews. On account of these developments, the debt-to-GDP ratio has declined to 58.3 per cent of GDP in 2016, from 60.6 per cent a year earlier, thus also below the 60 per cent of GDP reference value.

The European Commission took note of these developments. In particular, the Commission noted that the headline balance projection for 2016 in the 2017 Stability Programme was much better than the target set in both the 2016 Stability Programme and the 2017 Draft Budgetary Plan submitted in October 2016, which targeted a deficit of 0.7 per cent of GDP. The Commission estimates that Malta's (recalculated) structural balance improved markedly (by 3 percentage points of GDP) in 2016, due to the improvement in the headline balance as well as the improving cyclical conditions.

Over the medium term, the European Commission forecast expects Malta's structural balance to remain positive, suggesting that the achievement of the medium-term objective of a balanced structural budget is sustainable. Meanwhile, according to the Commission forecasts, the debt-to-GDP ratio, which in 2016 was below the 60 per cent-of-GDP threshold, is expected to remain below that threshold and to decrease further over the medium term.

6. Annex Tables

Macroeconomic Forecast vs Estimates for 2016

(growth %)

Table 1

	Forecast Autumn 2015*	Forecast Spring 2016**	Estimate March 2016***
Gross Domestic Product (at current Market Prices)	6.2	6.8	6.7
Private Final Consumption Expenditure	4.9	5.0	4.2
General Government Final Consumption Expenditure	5.2	4.4	-1.5
Gross Fixed Capital Formation	-6.5	5.1	0.9
Exports of Goods and Services	5.7	3.2	4.8
Imports of Goods and Services	3.0	2.1	1.5
Compensation of Employees	5.3	5.6	6.3
Operating Surplus and Mixed Income	7.5	7.7	7.0
Tourism Earnings	**7.3**	**5.8**	**6.0**
Employment	**2.0**	**2.7**	**3.3**
Inflation	**1.8**	**1.6**	**0.9**

*Source: 2016 Budget, Published in October 2015

**Source: 2016 Stability Programme, published on 30 April 2016

***Source: NSO News Release 041/2017 - Gross Domestic Product 2016

Actual Fiscal Developments vs Budget Targets for 2016

Consolidated Fund

(Millions of Euro)

Table 2

	Jan/Dec 2016 Approved Estimate*	Jan/Dec 2016 Actual**	Variance
Recurrent Revenue	**3,613.2**	**3,807.0**	**193.7**
Tax Revenue	**3,279.8**	**3,446.0**	**166.1**
Indirect Tax Revenue	*1,287.4*	*1,313.3*	*25.9*
Customs and Excise Duties	284.0	277.5	-6.5
Licenses, Taxes, and Fines	274.5	311.0	36.6
Value Added Tax	729.0	724.8	-4.2
Direct Tax Revenue	*1,992.4*	*2,132.7*	*140.3*
Income Tax	1,206.7	1,328.3	121.6
Social Security	785.7	804.4	18.7
Non-Tax Revenue	**333.4**	**361.0**	**27.6**
Fees of Office	51.2	71.4	20.2
Reimbursements	30.2	28.7	-1.5
Public Corporations	0.8	0.0	-0.8
Central Bank of Malta	50.0	50.0	0.0
Rents	30.7	29.9	-0.8
Dividends on Investments	37.2	39.1	2.0
Repayment of Interest on Loans	0.4	0.1	-0.3
Grants	99.5	102.3	2.9
Miscellaneous	33.6	39.5	5.9
Total Expenditure	**3,809.2**	**3,798.1**	**-11.2**
Recurrent Expenditure	**3,205.6**	**3,264.3**	**58.7**
Personal Emoluments	790.0	782.1	-8.0
Operations and Maintenance	159.4	176.0	16.6
Programmes and Initiatives	1,923.5	1,951.0	27.5
Contributions to Government Entities	332.7	355.3	22.6
Interest Payments	**226.9**	**223.5**	**-3.4**
Capital Expenditure* **	**376.8**	**310.3**	**-66.5**
Government Consolidated Fund Balance	**-196.0**	**8.9**	**204.9**

*Source: Financial Estimates 2016, Ministry for Finance; as announced in October 2015
**Source: NSO News Release 2017_058 - Government Finance Data: January-December 2016
*** Capital Expenditure includes equity injection in Airmalta

Actual General Government Public Debt vs Budget Targets for 2016

(Millions of Euro)

Table 3

	Jan/Dec 2016 Estimate*	Jan/Dec 2016 Actual**	Variance
General Government Public Debt	**5,884.0**	**5,766.5**	**-117.5**
Compostion of Gross Public Debt			
Malta Government Stocks	5,128.9	5,125.3	-3.5
Treasury Bills	366.0	254.0	-112.0
Domestic Loans with Commercial Banks	0.0	0.0	0.0
Foreign Loans	19.4	19.4	0.0
EBU's/Local Councils	121.1	123.8	2.7
Currency	77.5	72.8	-4.7
EFSF (Debt Re-Routing)	171.2	171.2	0.0

*Source: Treasury

**Source: Treasury / NSO News Release 068_2017

Cyclical Developments

(percentage points of GDP[(1)])

Table 4

	Jan/Dec 2016 Estimate*	Jan/Dec 2016 Actual**	Variance
General Government Balance	-0.7	1.0	1.7
One-off and other temporary measures[(2)]	0.1	-0.1	-0.2
General Government Balance net of One-offs	-0.8	1.1	1.9
Output Gap Estimates	1.6	2.0	0.4
Cyclically-Adjusted Budget Balance	-1.4	0.1	1.6
Structural Balance	-1.5	0.2	1.7
Structural Adjustment	0.8	2.8	2.0

[(1)] GDP for 2016 used in the 2016 SP was an estimate, while GDP for 2016 used in the 2017 SP was actual

[(2)] A plus sign means deficit-reducing one-off measures

*Source: 2016 Stability Programme, published on 30 April 2016
**Source: 2017 Stability Programme, published on 2 May 2017

Actual Fiscal Developments vs Medium Term Target for 2016

European System of Accounts

(Millions of Euro)

Table 5

	Jan/Dec 2016 Estimate*	Jan/Dec 2016 Actual**	Variance
Revenue	**3,706.3**	**3,871.3**	**165.0**
Components of revenue			
Taxes on production and imports	1,277.4	1,264.6	-12.9
Current taxes on income and wealth	1,305.6	1,375.9	70.3
Capital taxes	15.1	15.9	0.8
Social contributions	625.8	639.3	13.5
Property income	95.8	92.0	-3.8
Market Output and Output for own final use	257.1	402.3	145.2
Other revenue	129.4	81.2	-48.2
Expenditure	**3,771.9**	**3,770.2**	**-1.7**
Components of expenditure			
Compensation of employees	1,173.6	1,185.7	12.1
Intermediate consumption	613.0	635.9	22.9
Social payments in cash and in kind	1,063.9	1,078.9	15.0
Interest expenditure	217.5	217.8	0.3
Subsidies	109.4	129.2	19.8
Gross fixed capital formation	324.1	251.9	-72.2
Capital Transfers Payable	60.2	77.3	17.2
Other expenditure	210.3	193.5	-16.8
Deficit	**-65.7**	**101.0**	**166.7**
Primary Balance	**151.8**	**318.9**	**167.0**

*Source: 2016 Stability Programme, published on 30 April 2016
**Source: 2017 Stability Programme, published on 2 May 2017

The Dynamics of Government Debt

(percentage points of GDP[1])

Table 6

Percentages of GDP	Jan/Dec 2016 Estimate*	Jan/Dec 2016 Actual**	Variance
Gross debt	62.6	58.3	-4.3
Change in gross debt ratio	-1.3	-2.3	-1.0
Contributions to changes in gross debt			
Primary balance	-1.6	-3.2	-1.6
Snowball Effect	-1.8	-1.6	0.2
Interest expenditure	2.3	2.2	-0.1
Real GDP growth[2]	-2.6	-2.9	-0.3
Inflation Effect[2]	-1.5	-0.9	0.6
Stock-flow adjustment	2.0	2.5	0.5
p.m. implicit interest rate on debt	3.9	3.9	0.0

Developments in the debt- to-GDP ratio depend on:

$$\frac{D_t}{Y_t} - \frac{D_{t-1}}{Y_{t-1}} = \frac{PD_t}{Y_t} + \left(\frac{D_{t-1}}{Y_{t-1}} \cdot \frac{i_t - y_t}{1 + y_t} \right) + \frac{SFA_t}{Y_t}$$

where t denotes a time subscript, D, PD, Y and SFA are the government debt, primary deficit, nominal GDP and the

stock-flow adjustment respectively, and i and y represent the average cost of debt and nominal GDP growth.

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(1) GDP for 2016 used in the 2016 SP was an estimate, while GDP for 2016 used in the 2017 SP was actual

(2) Errata Corrige: In the 2016 SP there was a composition error in the Nominal GDP growth affecting its sub-components;
Real GDP growth and Inflation Effect for both the estimate and the actual figures for 2016.

*Source: 2016 Stability Programme, published on 30 April 2016

**Source: 2017 Stability Programme, published on 2 May 2017