Malta: Annual Report 2020

In line with Article 41 of the Fiscal Responsibility Act

Ministry for Finance and Employment

June 2021

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1. Introduction

The Annual Report is prepared in accordance with Article 41 of the Fiscal Responsibility Act (Cap. 534) and is the seventh report since the enactment of the Act.

This Annual Report provides information on fiscal developments in 2020 and compares the outcomes with the strategic objectives and priorities outlined in the 2019 Medium Term Fiscal Strategy and the fiscal targets as updated in the Budget for 2020, with justifications for such deviations. It analyses developments in public finances in 2020 in consideration of the principles and rules stipulated in the Fiscal Responsibility Act and in the context of the Government's European commitments in terms of the Stability and Growth Pact, which are currently suspended in view of the activation of the general escape clause of the Stability and Growth Pact. The analysis of the 2020 fiscal performance against the original targets must be considered against the exceptional circumstances brought about by the COVID-19 pandemic which has had a substantial negative economic and social impact and the equally unprecedented but vital fiscal support provided by Government to mitigate the impact of the crisis. The Annex of this report also includes a statistical overview of the final execution data for the indicators provided in the 2019 Medium-Term Fiscal Strategy and the 2020 Budget.

2. The 2020 targets as established in the 2019 Medium-Term Fiscal Plan and the 2020 Draft Budget Plan

The assessment of targets established in the 2019 Medium Term Fiscal Strategy (2019 MTFS) and the 2020 Draft Budgetary Plan (2020 DBP) is undertaken in terms of data classified according to the European System of Accounts (ESA) 2010 and therefore actual data may still be subject to further revisions. Table 1 of the Annex presents the macroeconomic assumptions which underpinned the 2019 MTFS and the 2020 DBP, together with the latest 2020 data available. Table 2 of the Annex presents Government's final fiscal position for 2020 compared to the targets of the 2019 MTFS as well as to the targets as published in the 2020 DBP.

In the 2019 MTFS, the Maltese economy was estimated to grow by 5.7 per cent in real terms during 2020. In addition, the growth composition was expected to be favourable for direct taxes, reflecting expected robust growths in wages and employment. Based on these macroeconomic projections, the general Government was projected to reach a surplus of €141.7 million, equivalent to 1.0 per cent of GDP. In 2020, revenue and expenditure growth were expected to lag that of nominal GDP. The revenue ratio was expected to decrease by 1.4 percentage points to 36.7 per cent of GDP, mainly due to lower revenue from capital transfers and investment grants. The decline in the expenditure-to-GDP ratio was expected to be broad-based with small downward adjustments in several components including compensation of employees, intermediate consumption, and social spending. While the aforementioned outlays were still expected to grow in nominal terms, investment was projected to decline also in level terms, as reflected in lower expected revenue from capital transfers and investment grants. The debt-to-GDP ratio was projected at 39.4 per cent of the GDP in the 2019 MTFS, on the back of the contractionary impact of the primary balance and the 'snowball effect', which was estimated to more than offset the expansionary impact of the stock flow adjustment (SFA) on the debt-to-GDP ratio.

On 9 July 2019, following the publication of the fiscal notification for 2018 and the 2020 Update of the Stability Programme, the Council of Ministers did not address a recommendation to Malta in the context of fiscal compliance under the European Semester. At the time the Council considered that Malta complied with the requirements of the Stability and Growth Pact (SGP) since the headline balance was projected to reach 1 per cent of GDP in 2020, with the structural balance projected to improve to 1.1 per cent in 2020. Furthermore, the debt sustainability analysis signalled low fiscal sustainability risks in the short run and in the medium-term, while medium fiscal sustainability risks over the longer-term were primarily related to the projected ageing costs.

Subsequently, revisions were carried out to the components of both revenue and expenditure for 2020, compared to the projections outlined in the 2019 MTFS. It is pertinent to note that the targets for 2020, as outlined in the 2020 DBP presented in

October 2019, were different from those outlined in Spring 2019 due to updated fiscal information available relating to the 2019 baseline, revised macroeconomic assumptions upon which the fiscal projections were based, as well as to incorporate the measures outlined in the 2020 DBP. In Autumn 2019, the Maltese economy was projected to grow by 4.3 per cent in real terms in 2020, mainly reflecting slowing household and public consumption growth, only partly counterbalanced by increasing investment. Net exports were projected to be a drag on growth with exports slightly slowing down and imports accelerating, mirroring a somewhat stronger investment activity projected in Autumn 2019. The growth outlook for 2020 was expected to be underpinned by moderate productivity gains, moderate wage growth, relatively low inflationary pressures, and a surplus on the current account.

The 2020 DBP continued to promote fiscal prudence with the creation of additional buffers and targeted a surplus, both in nominal and structural terms. Indeed, the budget balance was targeted at a surplus of 1.4 per cent of GDP in 2020, including an allocation of over 4 per cent of GDP towards gross fixed capital formation in 2020. In structural terms, the general Government balance was expected to reach 1.3 per cent in 2020. Despite more subdued macroeconomic developments projected for 2020, higher expected revenue primarily reflected a higher-than-expected outturn foreseen for 2019. The 2020 Budget extended a series of tax-reducing measures in 2020, with their negative impact expected to be broadly offset by the positive impact of measures adopted in previous years. The measures included a lower tax rate on overtime work for workers whose basic wage does not exceed twenty thousand euro (€20,000), an increase in tax exemption thresholds for minimum wage earners and pensioners, and an increase in the tax exemption for non-public pension plans. In the area of property taxation, a stamp duty exemption available for first-time home buyers was extended to 2020 and a reduced stamp duty on purchase of residential property in Gozo had also been retained. On the expenditure side, higher than expected outlays on intermediate consumption and capital expenditure were anticipated. The 2020 budget initiatives targeted greater social protection and integration of pensioners, families and the disabled. In addition, the 2020 Budget introduced measures that contribute towards sustainable development by continuing investment in the country's infrastructure and flood relief interventions, and sustainable economic development, which collectively increased the expenditure-to-GDP ratio by 0.4 percentage points. The debt-to-GDP ratio was also expected to remain below the 60 per cent threshold at 40.3 per cent of GDP in 2020 as the positive impact of nominal growth and the projected primary surplus were expected to more than offset the upward pressure that the interest burden and the stock flow adjustment were expected to have on the debt ratio.

In the Commission opinion published on 20 November 2019, the Commission considered that Malta remained compliant with the provisions of the SGP, as the recalculated structural balance was expected to remain above the medium-term budgetary objective of a balanced budgetary position in structural terms.

3. Fiscal Developments in 2020

Fiscal developments in 2020 were largely impacted by the COVID-19 pandemic and subsequent Government measures to mitigate the associated economic, social and health risks. Indeed, the general Government balance for 2020 amounted to a deficit of €1,300.2 million, a worsening of €1,350.3 million over the surplus recorded in 2019. Total revenue decreased by €378.1 million to €4,677.8 million, while expenditure amounted to €5,977.9 million, increasing by €972.1 million. As a share of GDP, the general Government balance was equivalent to a deficit of 10.1 per cent, worsening by 10.5 percentage points when compared to the surplus of 0.4 per cent that was registered in 2019. General Government debt increased by €1,257.2 million over 2019 and stood at €6,960.0 million. Coupled with a decrease in GDP, the debt-to-GDP ratio for 2020 increased to 54.3 per cent.

General Government revenue declined by 7 per cent. Tax revenue declined by 11 per cent, largely on account of the adverse effects that the outbreak of the pandemic exerted on the broad economy in general, but especially considering that some sectors were more severely hit, in particular tourism-related industries and the wholesale and retail trade sectors. These developments negatively affected proceeds from taxes on production and imports, which declined by 15 per cent in 2020, such that the ratio-to-GDP declined by 1.2 percentage points to 10.7 per cent of

GDP. Government support measures, particularly those aimed at sustaining employment, lessened the severity of the pandemic on the labour market and sustained revenue from current taxes on income and wealth, which declined by 8.0 per cent in 2020, primarily from lower tax revenue from corporate income and profits. In addition, revenue from social contributions increased by 5 per cent year-on-year, such that the ratio-to-GDP increased by 0.7 percentage points to 6.6 per cent of GDP. It is worth noting that as per Eurostat's note on statistical implications of some policy measures in the context of the COVID-19 pandemic the impact of tax deferrals is fully imputed with no fiscal impact on revenue in ESA terms, on the assumption that all deferred taxes shall be collected by the stipulated timeframes. The remaining non-tax revenue components and capital receipts remained relatively unchanged at around 6 per cent of GDP in aggregate.

The ratio of general Government expenditure to GDP increased by 9.8 percentage points to 46.6 per cent in 2020. The increase in the expenditure-to-GDP ratio mainly resulted from the fiscal impact of COVID-19 related measures, and to a lesser extent from measures legislated by means of the 2020 Budget. Expenditure increased for most expenditure components, other than interest expenditure, but most notably towards subsidies and intermediate consumption. Indeed, the ratio to GDP of subsidies increased from 1.4 per cent in 2019 to 5.0 per cent in 2020, largely due to additional spending in relation to the COVID-19 Business Assistance Programme, which includes the wage supplement scheme, as well as the Economic Regeneration Voucher Scheme. The ratio of intermediate consumption to GDP also increased by 2.3 percentage points to 9.5 per cent of GDP, as further healthcare funding was necessary to address hospital capacity, medical equipment and protective gear, and for repatriation flights to bring home Maltese nationals and residents, and to carry cargo and urgent medical supplies for hospitals, following the ban on travel.

Table 3 disaggregates the changes to the 2020 forecasts between successive reports due to the impact of the actual outturn in 2019 (base effect) on tax revenue, the macroeconomic determinants (mainly the impact of the pandemic on the economy and the resultant budgetary impact), and other changes (mainly capturing the fiscal impact of COVID-related support measures).

3.1 Base effect from 2019

In 2019, the government surplus declined to 0.4 per cent of GDP from 1.9 per cent a year earlier. This reflected lower than projected outturn from tax revenue. In addition, higher outlays on intermediate consumption, wages and capital outpaced increases in revenues. The headline balance fell short of the targets of 1.4 per cent of GDP and 0.9 per cent of GDP presented in the 2019 MTFS and 2020 DBP, respectively. Compared to the 2020 DBP, VAT receipts, income taxes and capital transfers turned out lower than expected and were only partly outweighed by stronger-than-expected market output. Expenditure turned out lower than planned due to lower investment outlays.

3.2 National policy response to COVID-19 and budgetary implications of economic developments

In 2020, the Maltese Government implemented fiscal support measures amounting to 5.0 per cent of GDP to combat the negative impact of the pandemic on the Maltese economy. The Maltese Government adopted a broad range of measures to mitigate the negative impacts of the COVID-19 pandemic on society and the economy. Funding for the health authorities was increased to support additional healthcare capacity. The Government also provided financial assistance to enterprises, the self-employed and employees by means of the wage supplement scheme. On the social support side, measures included special unemployment and parent benefits, support for persons with disabilities and higher rent subsidies for individuals who had their job terminated due to COVID-19. Subsequently, vouchers were granted to stimulate domestic demand, the stamp-duty on the transfer of residential property was reduced, in addition to the reduction in the tax rate associated with sales of property and the extension and wider coverage of the first-time buyer scheme. Utility bills and commercial rents for businesses affected by the pandemic were subsidised, fuel prices were reduced, and commercial licenses were refunded. In addition, measures were also introduced to support business investment. It is pertinent to note that fiscal support measures in Malta were among the strongest in the EU in reflection of the severe impact of the pandemic which hit disproportionately the tourism sector in Malta with the result that a contraction in GDP of 6.5 per cent (7.8 per cent in real terms) was recorded in 2020. Indirect support in the form of credit guarantees, moratoria on loan repayments and tax deferrals complemented direct measures.

A large share of fiscal support was also provided by the functioning of automatic stabilisers, which in 2020 is estimated at over 5 per cent of GDP. For the most part, this reflects lower tax receipts from taxes on production and imports and to a lesser extent from current taxes on income and wealth. Such developments reflect both the proportional drop in revenues with respect to GDP, as taxes and contributions of households and firms declined in line with their income and consumption, closely following developments in their macroeconomic bases, but also the progressivity of the tax system.

In aggregate, it is estimated that in 2020, the pandemic has impacted the general Government balance by 10.2 percentage points of GDP, such that in the absence of COVID, the general Government balance would have been close to balance in 2020.

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

Malta is subject to domestic fiscal rules, as set out in the Fiscal Responsibility Act 2014 (FRA), and the EU fiscal rules. Both sets of rules envision scenarios in which the Government needs to use fiscal resources to respond to circumstances beyond its control, or alternatively, respond to a severe economic downturn.

This report is drawn up in the context of the activation of the general escape clause of the Stability and Growth Pact, which allows for a temporary departure from the adjustment path towards the medium-term budgetary objective, if this does not endanger fiscal sustainability in the medium term.

4.1 Exceptional Circumstances under the Stability and Growth Pact

On 20 March 2020, the Commission adopted a Communication on the activation of the general escape clause of the Stability and Growth Pact. The clause, as set out in Articles 5(1), 6(3), 9(1) and 10(3) of Regulation (EC) 1466/97 and Articles 3(5) and 5(2) of Regulation (EC) 1467/97, facilitates the coordination of budgetary policies in times of severe economic downturn. In its Communication, the Commission shared with the Council its view that, given the expected severe economic downturn resulting from the COVID-19 outbreak, the current conditions permit the activation of the clause. On 23 March 2020, the Ministers of Finance of the Member States agreed with the assessment of the Commission. The general escape clause does not suspend the procedures of the Stability and Growth Pact. It allows Member States to depart from the budgetary requirements that would normally apply while enabling the Commission and the Council to undertake the necessary policy coordination measures within the framework of the Pact.

On 2 May 2020, Malta submitted its 2020 Update of the Stability Programme, outlining the overall budgetary policy response to the COVID-19 outbreak, the economic outlook and expected developments in the general Government balance in 2020 and 2021, considering the exceptional circumstances. Subsequently, on 12 May 2020, the Ministry for Finance transmitted a letter to the European Commission in accordance with Article 2(3) of Regulation (EC) No 1467/97, outlining the key factors responsible for the planned worsening of public finance developments in 2020 and over the medium-term, mainly to reflect the economic impact of the COVID-19 pandemic and its substantial impact on the budgetary situation and highly uncertain outlook.

On 20 July 2020, as part of the country-specific recommendations under the European Semester, the Council recommended Member States to take all necessary measures to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. Member States were also recommended to, when economic conditions allowed, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.

Similarly, the Council Recommendation on the economic policy of the euro area indicates that fiscal policies should remain supportive in all euro area Member States throughout 2021.

On 17 September 2020, the Commission's Annual Sustainable Growth Strategy called upon Member States to continue to provide targeted and temporary fiscal support in 2021 in a context where the general escape clause is activated, while safeguarding fiscal sustainability in the medium term.

On 3 March 2021, the Commission adopted a Communication providing further policy orientations to facilitate the coordination of fiscal policies and the preparation of Member States' Stability and Convergence Programmes.

The Commission Communication of 2 June 2021 on economic policy coordination indicates that the general escape clause of the Stability and Growth Pact will continue to be applied in 2022 and is expected to be deactivated as of 2023.

4.1.1 Assessment of Compliance with the provisions of the Stability and Growth Pact

Data notified by the Maltese authorities on 31 March 2021 and subsequently validated by Eurostat show that the general government deficit in Malta exceeded the 3 per cent of GDP Treaty reference value in 2020 and provides prima facie evidence of the existence of an excessive deficit as defined by Article 126 of the Treaty. However, the deficit in excess over the Treaty reference value in 2020 was exceptional, as it resulted from a severe economic downturn in the entire EU. The deficit was driven by the budgetary cost of measures taken by the Maltese Government to tackle the COVID-19 pandemic, and the operation of the automatic stabilisers. Despite the sizeable contraction of nominal GDP and the large amount of debt issued to finance the exceptionally large deficit, the debt-to-GDP ratio remained below the 60 per cent threshold in 2020.

At the current juncture, no decision has been taken to place Member States under the excessive deficit procedure, considering the high uncertainty, the agreed fiscal policy response to the COVID-19 crisis and the Council Recommendations of 20 July 2020. As a result, Malta and all other Member States have been allowed to deviate from the fiscal targets and the fiscal rules without being warned or sanctioned. This flexibility allowed the EU and its Member States to mitigate the socio-economic impact of the COVID-19 pandemic. It is the Commission's intention, as stated in its Communication on 2 June 2021, to reassess the budgetary situation in Member States based on the autumn 2021 Economic Forecast, and the 2022 Draft Budgetary Plans to be submitted by euro area Member States by 15 October 2021.

4.2 Exceptional Circumstances under Malta's Domestic Budgetary Rules

The FRA allows for deviation from the budgetary rules if exceptional circumstances exist. Article 2(1) of the FRA defines exceptional circumstances as:

a period during which an unusual event outside the control of the State has a major impact on the financial position of the general government, or

a period of severe economic downturn, within the meaning of the Stability and Growth Pact.

The SGP defines a severe economic downturn as 'negative real growth of GDP or as an accumulated loss of output during a protracted period of very low real growth of GDP relative to its potential'.

As a result, any decision to activate the general escape clause at a European level has the same effect as a formal announcement by Government on the presence of exceptional circumstances. In line with the Council agreement, the Maltese Government indicated the suspension of budgetary constraints set by national fiscal rules, as part of the effort to accommodate the budgetary implications of the outbreak, in the 2020 Update of the Stability Programme.

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

The Malta Fiscal Advisory Council (MFAC) considers that the situation of 'exceptional circumstances' as defined in the FRA persists. The assessment of compliance with the fiscal rules by the MFAC is 'temporarily suspended until the general escape clause is revoked and the situation is no longer considered as exceptional'.

5. Statistical Annex

Macroeconomic Forecast vs Estimates for 2020

(growth %)

Table 1

	Medium Term Fiscal Strategy 2019-2022*	Draft Budget Plan 2020**	Actual 2020***
Gross Domestic Product (at current Market Prices)	8.3	6.5	-6.5
Private Final Consumption Expenditure	5.1	5.4	-6.9
General Government Final Consumption Expenditure	6.8	5.1	17.5
Gross Fixed Capital Formation	9.0	15.5	-6.3
Exports of Goods and Services	6.4	3.8	-6.6
Imports of Goods and Services	4.9	4.5	-3.0
Compensation of Employees	7.7	7.0	2.3
Operating Surplus and Mixed Income	9.2	8.1	-5.3
Tourism Earnings	4.6	2.7	-78.5
Employment	4.3	4.1	3.6
Inflation	2.0	1.6	0.8

*Source: Malta: Medium-Term Fiscal Strategy 2019-2022, published June 2019

**Source: 2020 Draft Budgetary Plan, published October 2019

***Source: NSO News Release 097/2021 Gross Domestic Product Q1/2021

Actual Fiscal Developments vs Target for 2020

European System of Accounts

(Millions of Euro)

Table 2

	Medium Term Fiscal Strategy 2019-2022*	Draft Budget Plan 2020**	Actual 2020***
Revenue	**5,346.8**	**5,523.6**	**4,677.8**
Components of revenue			
Taxes on production and imports	1,758.0	1,804.9	1,372.3
Current taxes on income and wealth	1,932.9	2,007.0	1,689.8
Capital taxes	28.5	27.9	22.6
Social contributions	875.0	870.6	841.1
Property income	71.0	74.6	92.6
Market Output and Output for own final use	459.1	498.0	447.5
Other revenue	222.3	240.4	211.8
Expenditure	**5,205.1**	**5,330.6**	**5,977.9**
Components of expenditure			
Compensation of employees	1,577.4	1,567.9	1,566.6
Intermediate consumption	987.1	1,055.4	1,221.5
Social payments in cash and in kind	1,327.8	1,308.6	1,346.8
Interest expenditure	179.8	175.2	170.2
Subsidies	175.0	195.7	642.9
Gross fixed capital formation	485.9	573.8	574.1
Capital Transfers Payable	178.7	151.9	107.0
Other expenditure	293.5	302.2	278.5
General Government Balance	**141.7**	**193.0**	**-1,300.2**
Primary Balance	**321.5**	**368.2**	**-1,130.0**

*Source: Malta: Medium-Term Fiscal Strategy 2019-2022, published June 2019

**Source: 2020 Draft Budgetary Plan, published October 2019

*** Source: Malta: Medium-Term Fiscal Strategy 2021-2024, published June 2021

General Government Budgetary Developments in 2020

Divergence from previous forecasts

(Millions of Euro)

Table 3

	ESA Code	MTFS 2019 compared to MTFS 2021				DBP 2020 compared to MTFS 2021			
		Divergence due to outturn in *t-1*	Divergence due to updated macro-economic projections	Other revisions	**Total forecast revision**	Divergence due to outturn in *t-1*	Divergence due to updated macro-economic projections	Other revisions	**Total forecast revision**
Net lending (+)/net borrowing (-)									
1. **General Government**	S.13	**-16**	**-649**	**-428**	**-1,092**	**-132**	**-664**	**-697**	**-1,493**
2. Central Government	S.1311	-16	-649	-428	-1,102	-132	-664	-697	-1,493
3. State Government	S.1312	-	-	-	-	-	-	-	-
4. Local Government	S.1313	10	10	10	10	0	0	0	0
5. Social Security funds	S.1314	-	-	-	-	-	-	-	-
6. **Total Revenue**	TR	**-16**	**-644**	**341**	**-319**	**-132**	**-671**	**-43**	**-846**
Of which									
Taxes on Production and Imports	D.2	-19	-433	354	-99	-66	-467	100	-433
Of which									
Value Added Type Taxes (VAT)	D.211	-39	-362	173	-228	-82	-394	205	-272
Taxes on Financial and Capital Transactions	D.214C	8	-22	-47	-61	-3	-24	-45	-72
Current Taxes on Income, Wealth, etc.	D.5	27	-166	9	-130	-47	-165	-106	-317
Of which									
Taxes on Individual or Household Income	D.51M	39	-73	44	10	-12	-70	42	-40
Taxes on the income or profits of Corporations	D.51O	-13	-93	-142	-248	-38	-94	-141	-273
Capital Taxes	D.91	-2	-3	9	4	-1	-2	-2	-5
Social Contributions	D.61	-23	-41	108	44	-18	-37	26	-30
Of which									
Employers' Actual Pension Contributions	D.611	-13	-17	9	-21	-16	-16	8	-24
Households' actual social contributions	D.613	3	-22	18	-1	-2	-23	18	-7

General Government Budgetary Developments in 2020

Divergence from previous forecasts

(Millions of Euro)

Table 3 (continued)

	ESA Code	MTFS 2019 compared to MTFS 2021				DBP 2020 compared to MTFS 2021			
		Divergence due to outturn in *t-1*	Divergence due to updated macro-economic projections	Other revisions	**Total forecast revision**	Divergence due to outturn in *t-1*	Divergence due to updated macro-economic projections	Other revisions	**Total forecast revision**
Property Income	D.4			23	23			18	18
Other [(a)]				-161	-161			-79	-79
7. **Total Expenditure**	TE	**0**	**5**	**768**	**773**	**0**	**-7**	**655**	**647**
Of which									
Compensation of employees	D.1			-11	-11			-1	-1
Intermediate Consumption	P.2			234	234			166	166
Social Payments	D.6		5	14	19		-7	45	38
Of which									-7
Unemployment expenditure			5		5		-7		-7
Interest Expenditure	D.41			-10	-10			-5	-5
Subsidies	D.3			468	468			447	447
Gross Fixed Capital Formation	P.51			88	88			0	0
Capital Transfers	D.9			-36	-36			-10	-10
Other [(b)]				20	20			12	12

Notes:

[(a)] P.11 + P.12 + P.131 + D.39rec + D.7rec + D.9rec (other than D.91rec).

[(b)] D.29 + D.4pay (other than D.41pay) + D.5pay + D.7pay + P.5M + NP + D.8.

Cyclical Developments in 2020

(Percentage points of GDP [1])

Table 4

	Medium Term Fiscal Strategy 2019-2022*	Draft Budgetary Plan 2020**	Actual 2020***
General Government Balance	1.0	1.4	-10.1
One-off and other temporary measures [2]	0.0	0.1	0.0
General Government Balance net of One-offs	1.0	1.3	-10.2
Output Gap Estimates	-0.3	-0.1	-5.4
Cyclically Adjusted Budget Balance	1.1	1.4	-7.6
Structural Balance	1.1	1.3	-7.6
Structural Adjustment	0.4	0.5	-5.7

[1] GDP for 2020 used in the 2019 MTFS and the 2020 DBP was an estimate, while GDP for 2020 used in the 2021 MTFS was actual
[2] A plus sign means deficit-reducing one-off measures

*Source: Malta: Medium-Term Fiscal Strategy 2019-2022, published June 2019
**Source: 2020 Draft Budgetary Plan, published October 2019
*** Source: Malta: Medium-Term Fiscal Strategy 2021-2024, published June 2021

Consolidated Fund
Actual Fiscal Developments vs Budget Targets for 2020

(Millions of Euro)

Table 5

	Approved Estimate*	Actual**	Variance
Recurrent Revenue	**5,451.7**	**4,389.3**	**-1,064.3**
Tax Revenue	**4,954.4**	**3,942.5**	**-1,011.9**
Indirect Tax Revenue	1,869.4	1,342.4	-527.0
Customs and Excise Duties	350.1	264.4	-85.7
Licenses, Taxes, and Fines	420.3	310.3	-109.9
Value Added Tax	1,099.0	767.7	-331.3
Direct Tax Revenue	3,085.0	2,600.1	-484.9
Income Tax	1,936.0	1,536.7	-399.3
Social Security	1,149.0	1,063.4	-85.6
Non-Tax Revenue	**497.4**	**446.4**	**-51.0**
Fees of Office	104.0	116.3	12.3
Sales	35.5	36.9	1.4
Reimbursements	4.0	4.0	0.0
Central Bank of Malta	28.5	31.5	3.0
Rents	37.6	34.8	-2.9
Dividends on Investments	47.2	26.1	-21.1
Repayment of Interest on Loans	0.3	0.0	-0.3
Grants	208.4	110.7	-97.7
Miscellaneous	32.0	86.1	54.2
Total Expenditure	**5,337.8**	**5,857.2**	**519.5**
Recurrent Expenditure	**4,419.3**	**4,638.9**	**219.5**
Personal Emoluments	977.2	981.3	4.1
Operations and Maintenance	216.9	266.7	49.8
Programmes and Initiatives	2,648.8	2,770.2	121.3
Contributions to Government Entities	576.3	620.7	44.3
Interest Payments	**183.5**	**181.2**	**-2.3**
Capital Expenditure	**734.9**	**1,037.1**	**302.2**
Government Consolidated Fund Balance	**114.0**	**-1,467.9**	**-1,581.9**

*Source: Financial Estimates 2020, Ministry for Finance; as announced in October 2019

**Source: NSO News Release 058/2021 - Government Finance Data: January-December 2020

Actual General Government Public Debt vs Budget Targets for 2020

(Millions of Euro)

Table 6

	Approved Estimate*	Actual**	Variance
General Government Public Debt	**6,895.7**	**6,960.0**	**64.3**
Composition of Gross Public Debt			
Malta Government Stocks	5,433.8	5,358.6	**-75.2**
Malta Government Retail Savings Bonds	381.1	380.5	**-0.6**
Treasury Bills	418.5	586.5	**168.0**
Domestic Loans with Commercial Banks	0.0	0.0	**0.0**
Foreign Loans	120.8	120.8	**0.0**
EBU's/Local Councils	162.7	150.2	**-12.5**
Currency	97.5	90.4	**-7.1**
ESA Re-Routed Debt	281.2	272.9	**-8.3**

*Source: Treasury

**Source: Treasury/NSO News Release 070/2021

The Dynamics of Government Debt for 2020

(Percentage points of GDP [1])

Table 7

	Medium Term Fiscal Strategy 2019-2022*	Draft Budgetary Plan 2020**	Actual 2020***
Gross debt	39.4	40.3	54.3
Change in gross debt ratio	-3.4	-2.7	12.3
Contributions to changes in gross debt			
Primary balance	-2.2	-2.6	8.8
Snowball Effect	-2.0	-1.4	3.8
Interest expenditure	1.2	1.2	1.3
Real GDP growth	-2.3	-1.8	3.2
Inflation Effect	-1.0	-0.8	-0.7
Stock-flow adjustment	0.9	1.3	-0.3
p.m. implicit interest rate on debt	3.1	3.1	3.0

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.

[1] GDP for 2020 used in the 2019 MTFS and the 2020 DBP was an estimate, while GDP for 2020 used in the 2021 USP was actual

*Source: Malta: Medium-Term Fiscal Strategy 2019-2022, published June 2019
**Source: 2020 Draft Budgetary Plan, published October 2019
*** Source: Malta: Medium-Term Fiscal Strategy 2021-2024, published June 2021