

DELIVERING OUR VISION

PRE-BUDGET DOCUMENT
2016



MINISTRY FOR FINANCE



OBJECTIVES

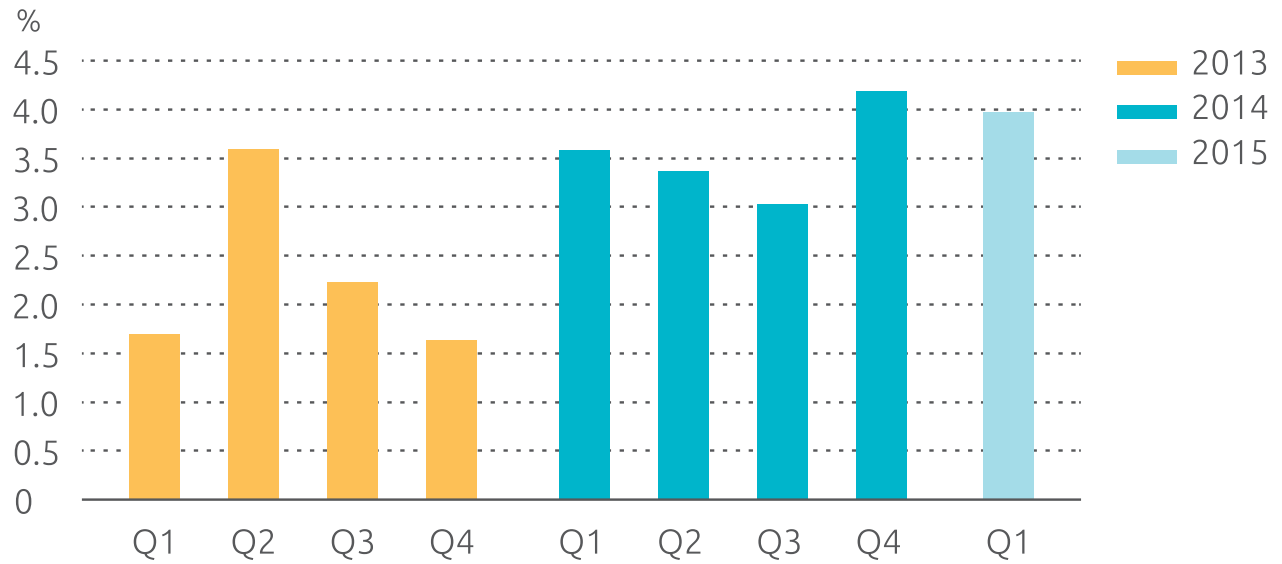
- Progressively lowering the fiscal deficit whilst remaining one of the fastest growing economies in the Euro-Area, and maintaining a growth-friendly consolidation strategy
- Becoming more competitive by sustaining productivity
- Supporting initiatives that make Malta more attractive, investing in human resources and targeting new growth sectors

ECONOMIC GROWTH

- In 2014, economic growth in Malta was almost three times as much as the average growth in the EU
- This momentum is set to continue for 2015
- Indeed, figures for the first quarter showing a growth of 4.0 per cent compared with an EU average of 1.4 per cent

ECONOMIC GROWTH

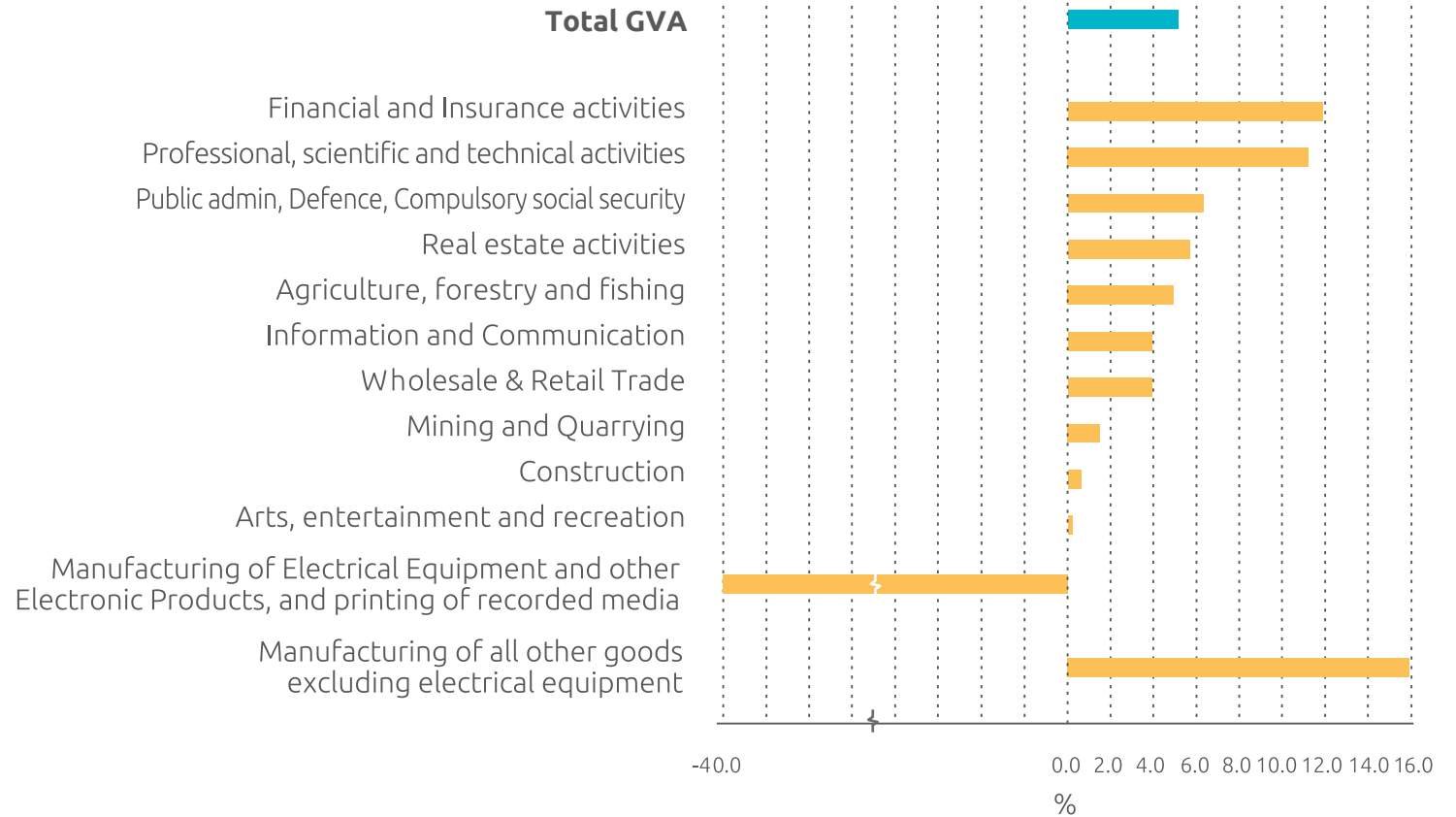
Real GDP Growth, 2013Q1-2015Q1



Data Source: NSO

ECONOMIC GROWTH

Growth in Gross Value Added



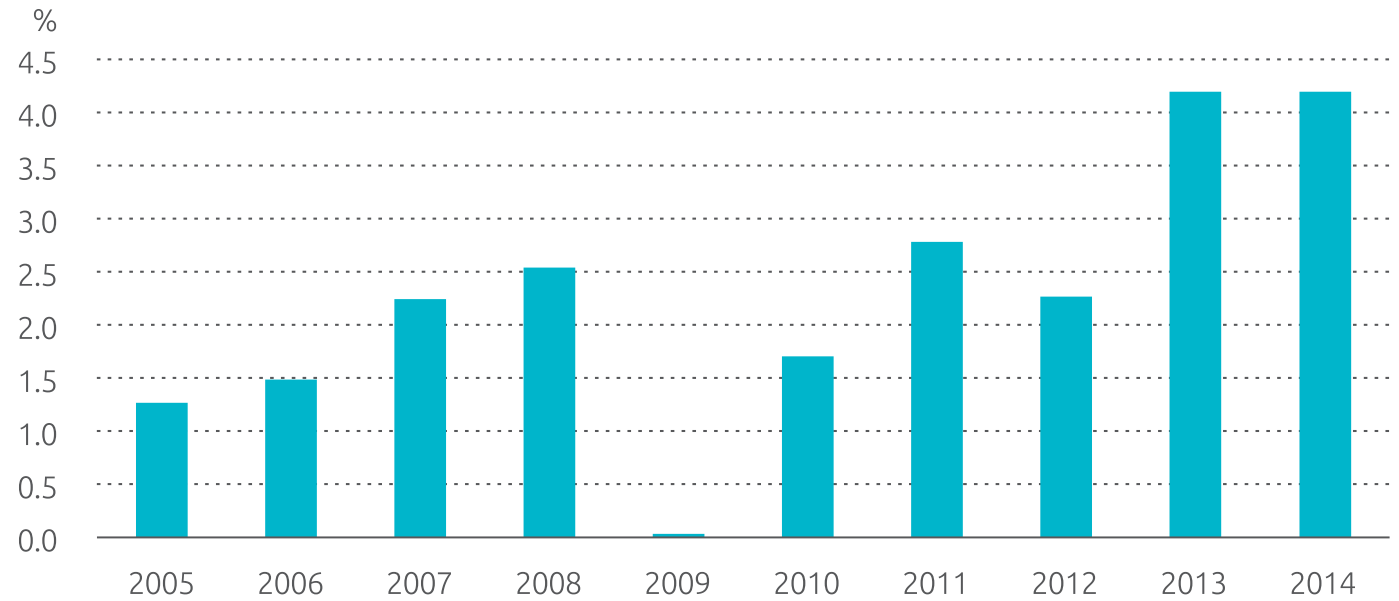
Data Source: NSO

UNEMPLOYMENT RATE

- The unemployment rate continued its declining trend, falling from 6.4 per cent in 2013 to 5.9 per cent in 2014
- Youth unemployment rate decreased to 11.8 per cent during the year
- Both youth unemployment rate and total unemployment rate third lowest in the EU

UNEMPLOYMENT RATE

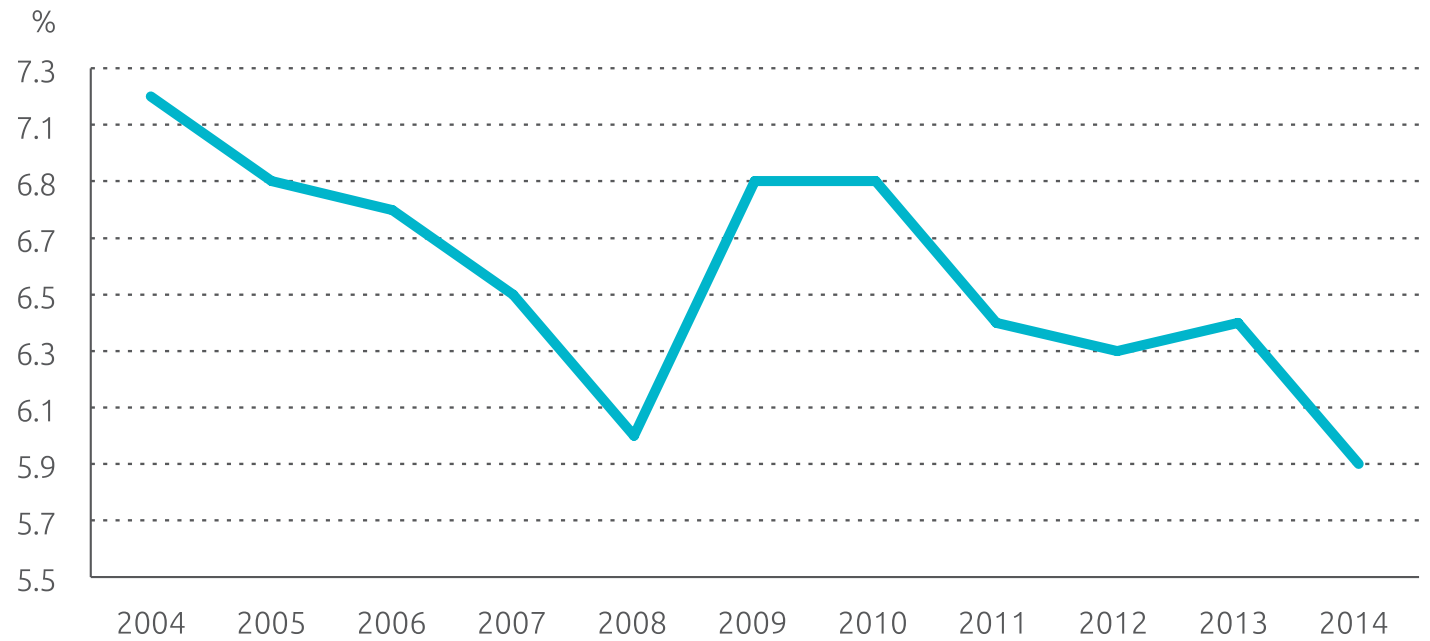
Growth in Employment



Data Source: Ameco

UNEMPLOYMENT RATE

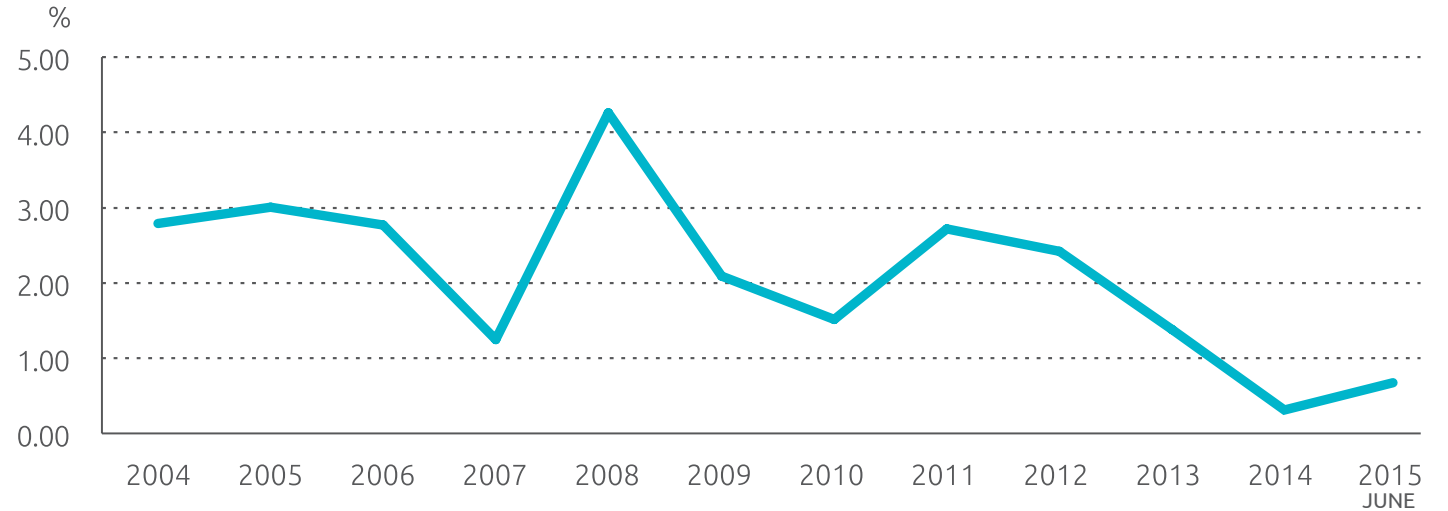
Unemployment Rate



Data Source: Eurostat

INFLATION RATE (RETAIL PRICE INDEX)

- The average rate of inflation was mainly stable at acceptable levels
- The reduction in electricity rates in April 2014 was the main driver behind the fall in the overall inflation in 2014



Data Source: NSO

EC & MFIN SPRING FORECASTS

	2013	2014	2015(EC)	2015(MFIN)	2016(EC)	2016(MFIN)
Real GDP Growth (%)						
Euro Area	-0.4	0.9	1.5	-	1.9	-
Malta	2.7	3.5	3.6	3.4	3.2	3.1
Unemployment (%)						
Euro Area	12	11.6	11	-	10.5	-
Malta	6.4	5.9	5.9	5.8	5.9	5.7
Employment Growth (%)						
Euro Area	-0.8	0.6	0.9	-	1.1	-
Malta	4.2	4.2	2.4	2.0	2.4	1.8

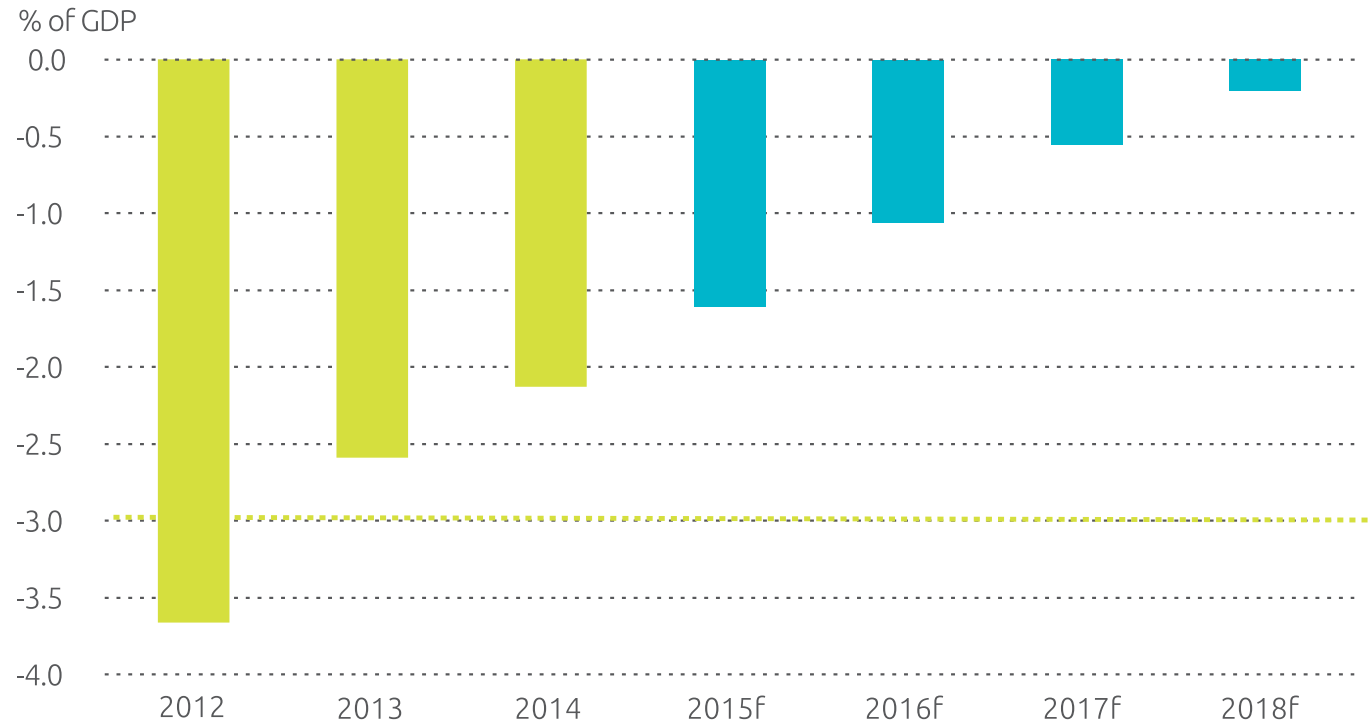
Data Source: NSO

PUTTING PUBLIC FINANCES IN ORDER

- Based on the positive fiscal results achieved in the last two years, the Commission acknowledged that Malta has taken effective action to correct its excessive deficit
- On 19 June 2015, the Economic and Financial Affairs Council (ECOFIN) ratified the Commission's recommendation and as a result, the Excessive Deficit Procedure (EDP) for Malta was officially closed

PUTTING PUBLIC FINANCES IN ORDER

General Government Balance, 2012-2018



Data Source: NSO, Malta Update of the Stability Programme 2015 - 2018

PUTTING PUBLIC FINANCES IN ORDER

General Government Finances, 2014

% of GDP	Budgeted	Actual	Difference
Revenue	42.2	42.0	-0.2
Components of revenue			
Taxes on production and imports	14.1	13.7	-0.4
Current taxes on income and wealth	14.2	14.6	0.4
Capital taxes	0.2	0.1	-0.1
Social contributions	7.4	7.1	-0.3
Property income	1.2	1.2	0.0
Market Output	1.9	2.4	0.5
Current transfers	0.5	0.5	0.0
Capital transfers	2.6	2.4	-0.3

Data Source: NSO

PUTTING PUBLIC FINANCES IN ORDER

General Government Finances, 2014

% of GDP	Budgeted	Actual	Difference
Expenditure	44.3	44.1	-0.2
Components of expenditure			
Compensation of employees	13.2	13.3	0.1
Intermediate consumption	6.5	6.6	0.1
Social benefits and social transfers in kind	13.5	12.7	-0.8
Interest expenditure	3.0	2.9	-0.1
Subsidies	1.5	1.3	-0.2
Gross fixed capital formation	3.2	3.8	0.6
Capital Transfers Payable	0.9	1.1	0.2
Current Transfers Payable	2.2	2.3	0.1
Other expenditure	0.2	0.0	-0.2
Deficit	-2.1	-2.1	0.0
Primary Balance	0.9	0.8	-0.1

Data Source: NSO

PUTTING PUBLIC FINANCES IN ORDER

General Government Finance, 2013-2015

% of GDP	2013	2014	2015f
Revenue	40.0	42.0	42.9
Components of revenue			
Taxes on production and imports	13.1	13.7	13.9
Current taxes on income and wealth	13.9	14.6	14.2
Capital taxes	0.2	0.1	0.2
Social contributions	7.0	7.1	7.2
Property income	1.3	1.2	1.2
Market Output	2.4	2.4	2.6
Current transfers	0.4	0.5	0.4
Capital transfers	1.8	2.4	3.1

Data Source: NSO, Malta Update of the Stability Programme 2015 - 2018

Note: *Data has been updated with NSO News Release No 108 of 2015*

PUTTING PUBLIC FINANCES IN ORDER

General Government Finance, 2013-2015

% of GDP	2013	2014	2015f
Expenditure	42.6	44.1	44.5
Components of expenditure			
Compensation of employees	13.0	13.3	13.1
Intermediate consumption	6.3	6.6	6.8
Social benefits and social transfers in kind	12.8	12.7	12.5
Interest expenditure	2.9	2.9	2.7
Subsidies	1.1	1.3	1.5
Gross fixed capital formation	2.8	3.8	4.1
Capital Transfers Payable	1.3	1.1	1.4
Current Transfers Payable	2.4	2.3	2.3
Other expenditure	0.1	0.0	0.0
Deficit	-2.6	-2.1	-1.6
Primary Balance	0.3	0.8	1.1

Data Source: NSO

PUTTING PUBLIC FINANCES IN ORDER

Central Government Finances, January-June 2014-2015

Consolidated Fund Data	2014	2015	2015	
€000s	Actual	Actual	Forecast	Variance
Recurrent Revenue	1,414,347	1,607,398	1,602,644	4,754
Tax Revenue	1,214,279	1,337,155	1,339,011	-1,856
Customs and Excise Duties	69,457	112,531	111,369	1,162
Licenses, Taxes, and Fines	118,652	135,121	129,175	5,946
Value Added Tax	289,763	300,676	317,272	-16,597
Income Tax	425,554	464,415	458,575	5,840
Social Security	310,852	324,411	322,619	1,793

Data Source: NSO

PUTTING PUBLIC FINANCES IN ORDER

Central Government Finances, January-June 2014-2015

Consolidated Fund Data	2014	2015	2015	
€000s	Actual	Actual	Forecast	Variance
Non-Tax Revenue	200,068	270,244	263,634	6,610
Fees of Office	18,237	12,508	20,305	-7,798
Reimbursements	10,727	10,549	12,289	-1,740
Public Corporations	0	0	0	0
Central Bank of Malta	37,000	36,000	36,000	0
Rents	15,947	15,673	15,673	0
Dividends on Investments	3,731	8,698	8,698	0
Repayment of Interest on Loans	1,031	132	670	-538
Grants	100,954	157,090	157,090	0
Miscellaneous	12,440	29,595	12,909	16,686

Data Source: NSO

PUTTING PUBLIC FINANCES IN ORDER

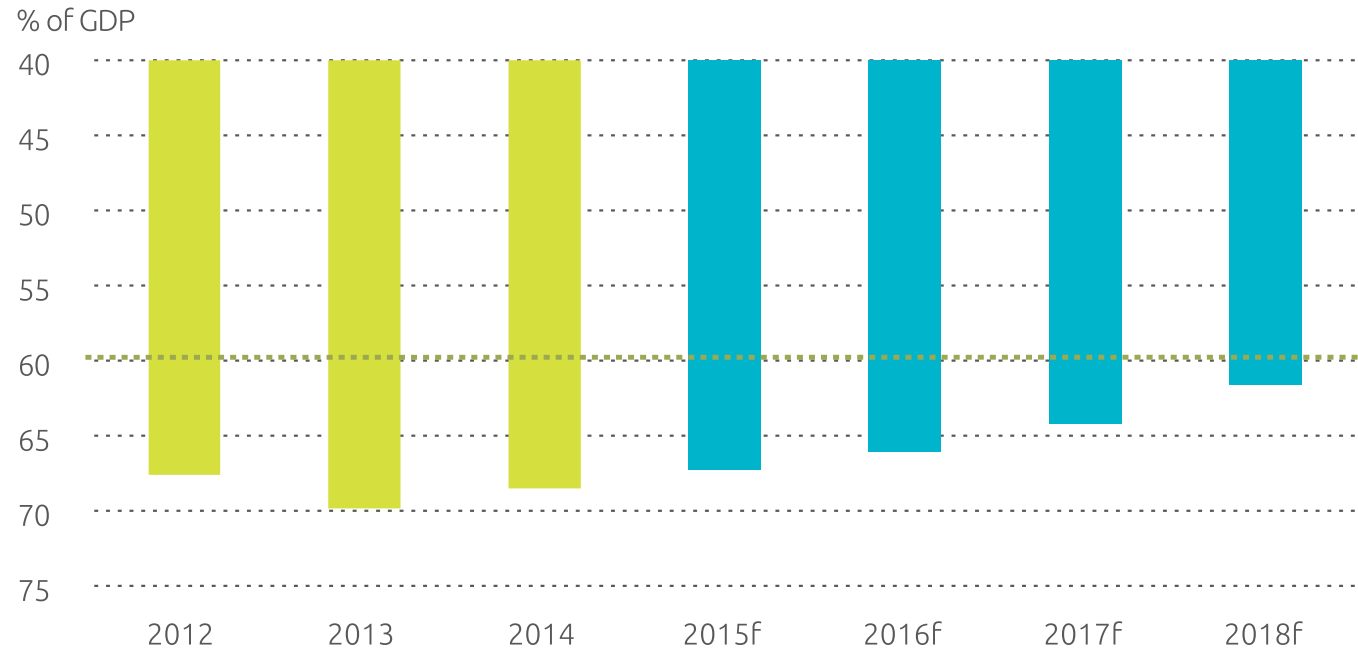
Central Government Finances, January-June 2014-2015

Consolidated Fund Data	2014	2015	2015	
€000s	Actual	Actual	Forecast	Variance
Total Expenditure	1,679,552	1,765,367	1,754,821	10,547
Recurrent Expenditure	1,376,797	1,443,162	1,432,615	10,547
Personal Emoluments	321,604	341,193	331,536	9,657
Operations and Maintenance	69,095	77,306	77,570	-264
Programmes and Initiatives	852,374	881,106	890,622	-9,516
Contributions to Government Entities	133,725	143,558	132,888	10,670
Interest Payments	111,215	116,164	116,164	0
Capital Expenditure	191,540	206,042	206,042	0
Central Government Balance (Consolidated Fund Balance)	-265,205	-157,969	-152,176	-5,793

Data Source: NSO

PUTTING PUBLIC FINANCES IN ORDER

Gross Government Debt, 2012-2018



Data Source: NSO, Malta Update of the Stability Programme 2015 - 2018

RAISING PRODUCTIVITY AND COMPETITIVENESS

- The ability to compete in an increasingly global market depends on:
 - Raising productivity
 - Having the capacity to adapt to change through innovation, investment and achieving a presence in key strategic sectors
- There is wide acceptance that long-term economic growth is related with the flow of productive investment both in terms of physical, as well as, human capital

INVESTING IN PEOPLE: BUILDING HUMAN CAPITAL

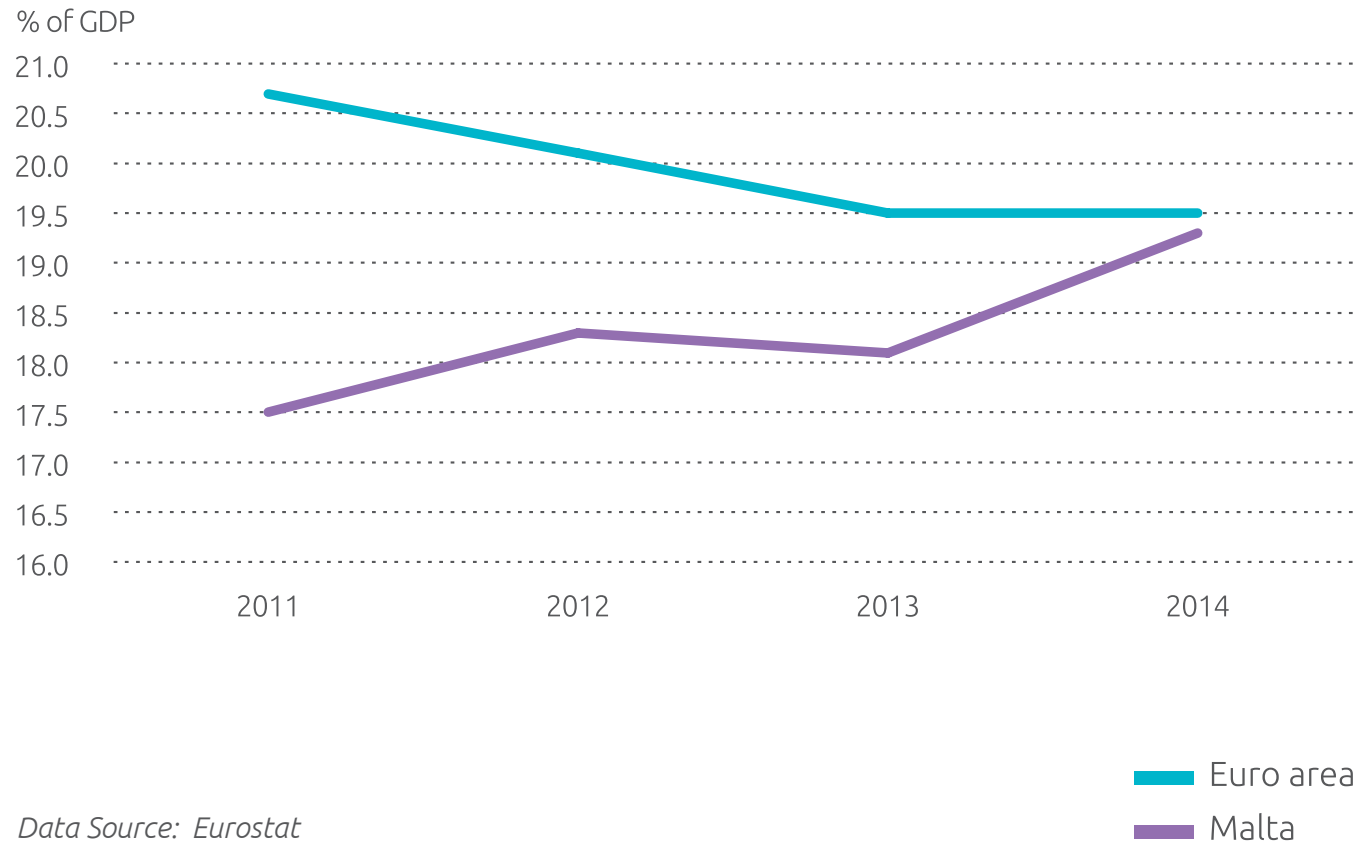
- Labour productivity is highly influenced by education, training and skills as well as experience
- Surveys find that around one in three employers has problems filling vacancies
- 47 per cent of employers identified a shortage of applicants with the right skills as their main challenge in filling vacancies
- Latest Eurostat data shows that Malta has the second highest job vacancies rate in the Euro-Area, second only to Germany
- Investment in education and training for skills development is essential to boost growth and competitiveness

INVESTMENT

- Over the last 10 years, the share of GFCF as per cent of GDP in Malta lagged below that of the Euro-Area
- Data for the last two years suggest that the gap is structurally closing down
- Indeed, the share of investment becoming practically equal to the Euro-Area average in 2014.
- Enhancement of the productive capacity of our economy also confirmed in terms of the FDI flows which exhibited strong increases in manufacturing and the professional, scientific and technical activities

INVESTMENT

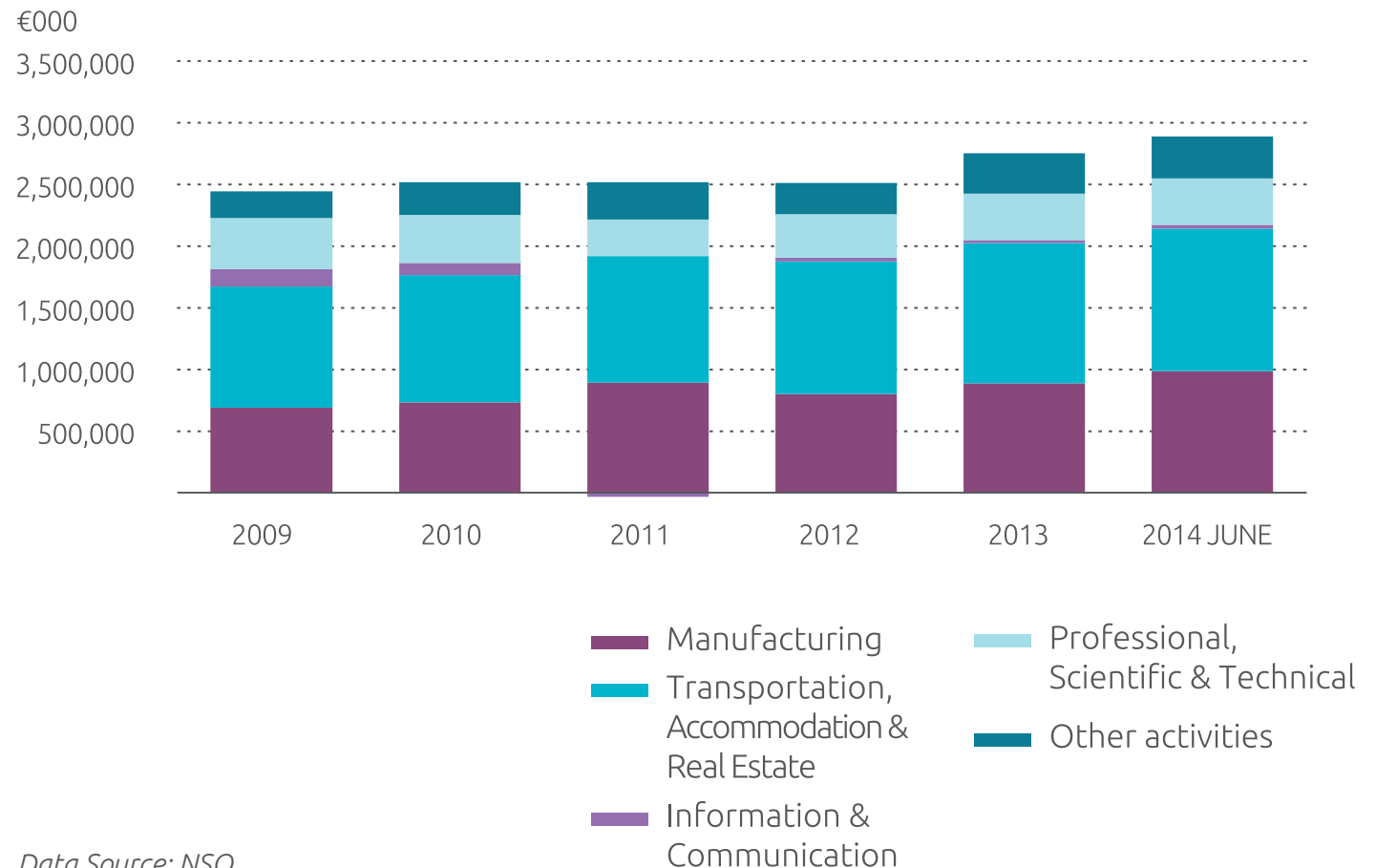
Gross Fixed Capital Formations as Percentage of GDP



Data Source: Eurostat

INVESTMENT

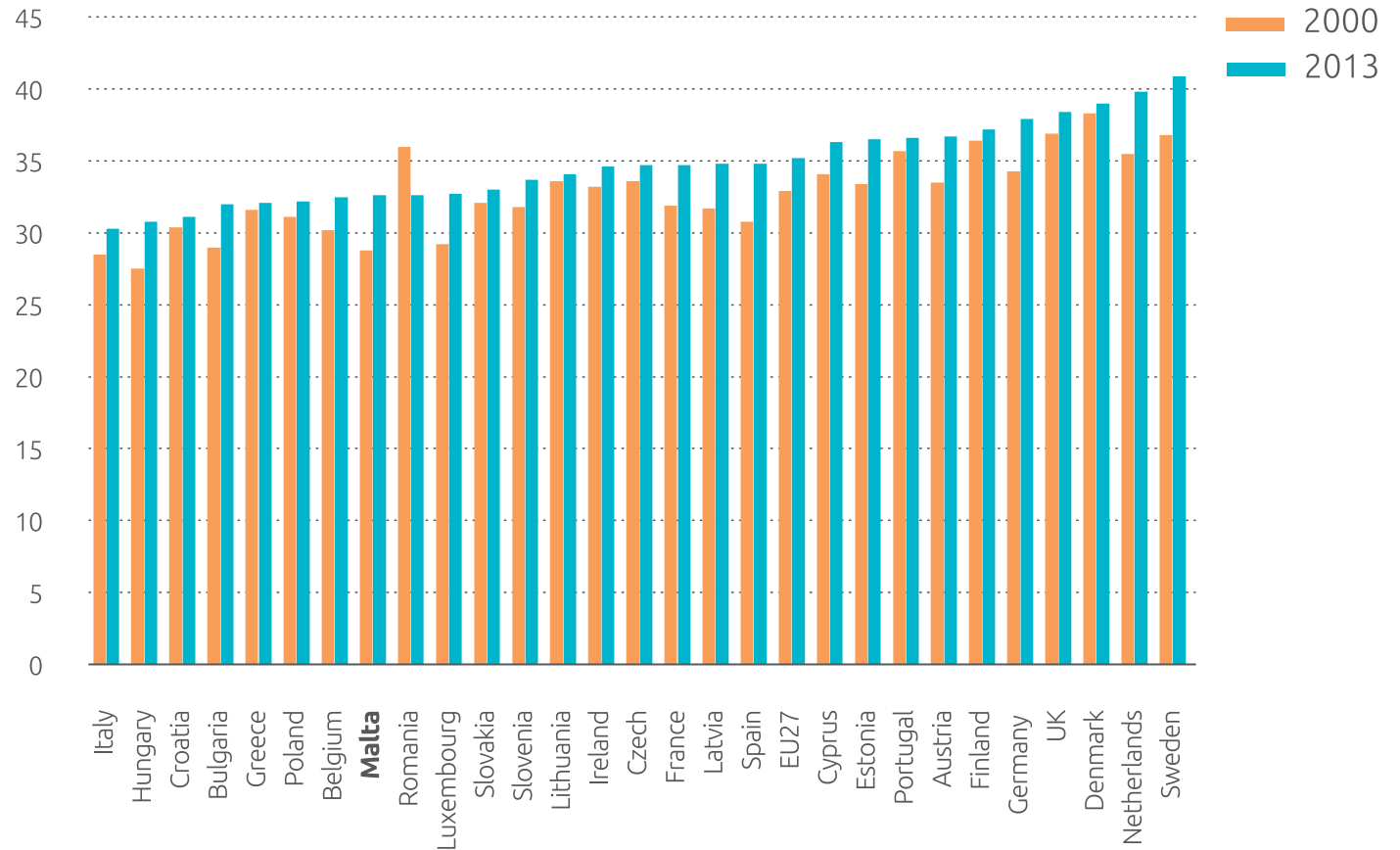
Stock Position of Foreign Direct Investment in Malta (excluding Financial and Insurance)



Data Source: NSO

DURATION OF WORKING LIVES, 2000 AND 2013

Duration of Working Lives (in years) 2000 and 2013



Data Source: Eurostat

INVESTING IN PRIORITY SECTORS

- Reforming Institutions
- Employability through Education
- Environment: Towards a Greener Economy and Fostering Stewardship
- Energy: Looking Ahead with Confidence
- Health: Turning Constraints into Opportunities
- Gozo: Contributing towards National Prosperity
- Social Inclusion: Not Just Equality of Opportunities

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