Malta: Annual Report 2022

In line with Article 41 of the Fiscal Responsibility Act

Ministry for Finance and Employment

June 2023

Contents

1. Introduction

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

This Annual Report provides information on fiscal developments in 2022 and compares the outcomes with the strategic objectives and priorities outlined in the 2021 Medium-Term Fiscal Strategy (2021 MTFS) and the fiscal targets as updated in the Draft Budget Plan for 2022 (DBP 2022), with justifications for such deviations. Furthermore, the Report presents an analysis of developments in public finances in 2022 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.

Although, as outlined in Table 1, the economic metrics turned out better than projected in Spring and Autumn 2021, fiscal performance in 2022 against the original targets was largely impacted by the unanticipated roll-out of fiscal policy measures adopted to mitigate the economic and social impact of the increase in energy prices following the onset of the war in Ukraine.

Supported by strong growth in private consumption and investment, real GDP growth reached 7.1 per cent in 2022, which is higher than projected in the 2021 MTFS and DBP 2022. In nominal terms the growth rate registered in 2022 was 12.7 per cent, amidst higher-than -expected inflationary pressures. Growth also benefited from the strong performance of the services sectors in general. Tourism in 2022 rebounded quickly and above earlier expectations, both in terms of total number of visitors and tourism expenditures. On the back of the strong post-pandemic recovery and positive net migration, annual employment growth reached 6.1 per cent in 2022. Demand for labour increased across various sectors of the economy and was especially strong in tourism and administrative services. Inflation in 2022 increased to 6.1 per cent. Nevertheless, Malta's inflation rate was less than in most of the European Union Member States as a result of Government's prompt intervention.

Indeed, the general Government balance has been impacted by the fiscal policy measures adopted to mitigate the economic and social impact of the increase in energy prices, which in 2022 amounted to 2.6 per cent of GDP. In addition to subsidies to energy production to compensate for the price increase of imported electricity and carbon emissions, grains and cereals are also subsidised to cushion the impact of higher inflation. Several benefits targeting vulnerable people were also adjusted to reflect the higher cost of living. At the same time, the estimated cost of COVID-19 temporary emergency measures dropped to 2.0 per cent of GDP in 2022, from 4.4 per cent in 2021.

The Annex of this report also includes a statistical overview of the final execution data for the indicators provided in the 2020 Medium-Term Fiscal Strategy and the 2021 Budget.

2. The 2022 targets as established in the 2021 Medium-Term Fiscal Strategy and the 2022 Draft Budgetary Plan

The assessment of targets established in the 2021 Medium Term Fiscal Strategy (2021 MTFS) and the Draft Budgetary Plan for 2022 (DBP 2022) 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 2 of the Annex presents the Government's final fiscal position for 2022 compared to the targets in the 2021 MTFS and the targets as published in the DBP 2022.

In the 2021 MTFS, the Maltese economy was estimated to grow by 6.8 per cent in real terms during 2022. This assumed economic recovery was expected to boost taxation receipts such that by end-2022, tax revenue was estimated to exceed the level that was recorded prior to the pandemic. Indirect taxes were expected to be the main drivers, as consumer spending was expected to rebound strongly. In contrast, the direct taxation yield was projected to increase more modestly. Based on these macroeconomic projections, the general Government was projected to register a deficit of €826.1 million, equivalent to 5.6 per cent of GDP. The revenue ratio was expected to decrease by 0.1 percentage points to 36.6 per cent of GDP, mainly due to 'other revenue' reflecting lower revenue from capital transfers and investment grants receivable. The decline in the expenditure-to-GDP ratio was expected to be broad-based with small downward adjustments in several components including subsidies, intermediate consumption, and gross fixed capital formation. The debt-to-GDP ratio was projected to increase to 65.8 per cent of the GDP in the 2021 MTFS, mainly driven by the contractionary impact of the snowball effect, which was more than offset by the expansionary impact of the primary balance and the stock-flow adjustment.

Subsequently, revisions were carried out to the components of both revenue and expenditure for 2022, compared to the projections outlined in the 2021 MTFS. It is pertinent to note that the targets for 2022, as outlined in the DBP 2022 presented in October 2021, were different from those outlined in Spring 2021 due to updated fiscal information available relating to the 2021 baseline, revised macroeconomic assumptions upon which the fiscal projections were based, as well as to incorporate the measures outlined in the DBP 2022. It also took note of the June 2021 Malta Fiscal Advisory Council's (MFAC) assessment and Ecofin Council's adopted recommendations on Malta's 2021 Update of the Stability Programme.

In Autumn 2021, the Maltese economy was projected to grow by 6.5 per cent in real terms in 2022, and by 8.6 per cent in nominal terms, such that the pre-pandemic level of output was expected to be attained by the end of 2022. Domestic demand was anticipated to contribute 4.4 percentage points, driven by strong private consumption and investment. Net exports were expected to contribute 2.0 percentage points to growth, as external demand conditions were also expected to improve.

The DBP 2022 maintained the budget deficit target of 5.6 per cent of GDP in 2022. In structural terms, the general Government balance was expected to improve from -8.6 per cent of potential GDP in 2021 to -4.5 per cent of potential GDP in 2022. As most of the fiscal support measures supporting the economy during the pandemic were set to be phased out as planned, the budget deficit was expected to fall significantly. The debt ratio was expected to increase modestly from 61.3 per cent of GDP in 2021 to 61.8 per cent of GDP in 2022, supported by a buoyant economic recovery.

It is pertinent to note that economic growth was relatively close to the original targets upon which the budget for 2022 was based (6.8 per cent relative to actual growth of 7.1 per cent) in real terms. However inflationary developments were stronger than anticipated and growth in nominal terms surprised notably on the upside (12.7 per cent compared to an anticipated growth of 8.6 per cent).

3. Fiscal Developments in 2022

As the economy was recovering from the COVID-19 pandemic, the war between Russia and Ukraine brought about renewed disruptions to global supply. This led the Government to allocate funds as support measures toward energy and food products to stabilise increasing prices. Nonetheless, the resumption in economic activity and the more than expected recovery in tourism earnings had a positive impact on the Government's tax revenue. Indeed, the general Government balance for 2022 amounted to a deficit of €981.1 million, an improvement of €194.7 million over the deficit recorded in 2021. Total revenue increased by €493.8 million to €5,913.9 million, while expenditure amounted to €6,894.9 million, increasing by €299.1 million. As a share of GDP, the general Government balance was equivalent to a deficit of 5.8 per cent, improving by 2.0 percentage points when compared to the balance of 7.8 per cent that was registered in 2021. General Government debt increased by €739.5 million over 2021 and stood at €9,003.4 million, however, the debt-to-GDP ratio for 2022 decreased to 53.4 per cent from 55.1 recorded during the previous year.

General Government revenue increased by 9.1 per cent. Tax revenue increased by 12.4 per cent, largely on account of a stronger than expected rebound in tourism and more than anticipated increase in domestic demand brought about by sustained employment growth and pent-up demand. These developments gave rise to proceeds from taxes on production and imports, which increased by 12.6 per cent in 2022, such that the ratio-to-GDP remained unchanged at 10.5 per cent of GDP. Corporate profits increased significantly in 2022 due to a tilt of the factor distribution of income gains in favour of corporations. Despite the phasing out of pandemic-related support measures, particularly those aimed at sustaining employment, a strong employment growth was nonetheless registered in 2022. These developments led to an increase of 12.0 per cent in revenue from current taxes on income and wealth. In addition, revenue from social contributions increased by 8.3 per cent year-on-year, whereas the ratio-to-GDP decreased slightly by 0.2 percentage points to 5.9 per cent of GDP. Meanwhile, the ratio-to-GDP of capital taxes remained the same whilst that of property income declined marginally 0.1 percentage points reflecting the skewed factor income gains. On the other hand, 'other' revenue declined by 0.8 percentage points, mainly reflecting lower capital transfers and investment grants.

The ratio of general Government expenditure to GDP decreased by 3.1 percentage points to 40.9 per cent in 2022, although in level terms, total expenditure still recorded an increase in most expenditure components, most noticeably in subsidies. Indeed, the ratio to GDP of subsidies increased from 4.6 per cent in 2021 to 5.0 per cent in 2022. The ratio of intermediate consumption to GDP decreased by 0.5 percentage points to 8.1 per cent of GDP however, overall expenditure recorded an increase over 2021, mainly due to higher intermediate consumption of EBUs.

Table 3 disaggregates the developments in the general Government budgetary execution in 2022 between successive reports due to the impact of the actual outturn in 2021 (base effect) on tax revenue, the macroeconomic determinants and other changes (mainly capturing the updated fiscal impact of discretionary measures).

3.1 Comparison with the 2021 MTFS and the DBP 2022

During 2022, the general Government recorded a deficit of €981 million, that is €155 million higher than forecast in the 2021 MTFS and €130 million higher than forecast in the DBP 2022. In both instances, this was mainly due to higher general Government expenditure, which was €647 million and €433 million higher than estimated in the 2021 MTFS and the DBP 2022, respectively. This was in part offset by a higher than anticipated revenue outcome, which turned out €492 million and €303 million higher than expected in the 2021 MTFS and the DBP 2022.

Compared to the 2021 MTFS, the better than estimated revenue in 2022 was mainly due to a better-than-expected outturn in 2021. This reflected a higher than projected outturn from tax revenue which mainly emanated from VAT receipts and taxes from household income and corporate profits. Better than foreseen macroeconomic developments in 2022 added a further €127 million to the better than estimated revenue developments. Meanwhile, higher outlays were recorded on the expenditure side, in part reflecting higher than estimated expenditure in 2021 amounting to €317 million, particularly towards 'other' expenditure (€139 million, mainly due to higher other current transfers) and subsidies (€112 million), which turned out significantly higher than estimated.

Compared to the DBP 2022, revenue from taxes on household income and corporate profits resulted to be higher than estimated, reflecting both a better-than-expected outturn in 2021 as well as better-than-expected macroeconomic developments in the underlying base. Higher-than-estimated revenue from social contributions of €78 million is due to both the 2021 outturn and better-than-expected macroeconomic developments in the underlying base. Meanwhile, taxes on production and imports recorded lower than estimated proceeds of €85 million when compared to the DBP 2022. This component of revenue was largely affected by lower than anticipated revenue from excise duties and consumption taxes. Of notable relevance is VAT revenue, which, though exceeding the original targets, has not kept pace with the better-than-expected growth in economic activity.

Higher than targeted expenditure on subsidies and 'other' expenditure was in part offset mainly by lower than planned expenditure on gross fixed capital formation, intermediate consumption, and social payments. Expenditure on subsidies was €595 million higher than targeted in the DBP 2022, on account of the cost of energy support measures and Air Malta restructuring costs, in part offset by lower expenditure on the wage supplement scheme.

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. The continued application of the general escape clause of the Stability and Growth Pact since March 2020 enabled large-scale fiscal support in response to the Covid pandemic in 2020 and 2021. The European Commission considered that the conditions to maintain the general escape clause remained applicable for 2022, such that fiscal policy also mitigated the social and economic impact of the sudden rise in major commodity prices resulting from Russia's conflict with Ukraine and global supply chain disruptions.

In its March 2021 Communication, the Commission suggested that with economic activity gradually normalising in the second half of 2021, Member States' fiscal policies should become more differentiated in 2022 by taking into account the state of the recovery, fiscal sustainability risks and the need to reduce economic, social and territorial divergences. The Commission further suggested that Member States should focus on the composition and the quality of public finances, both on the revenue and expenditure side of the budget by giving priority to fiscal structural reforms that will help provide financing for public policy priorities and contribute to the long-term sustainability of public finances.

On 2 May 2021, Malta submitted its 2021 Update of Stability Programme, compiled in the context of the severe economic downturn brought about by exceptional circumstances surrounding the COVID-19 pandemic, then in its second year. In this regard, in the report Malta outlined its budgetary response to the post-pandemic recovery, as well as the economic outlook and expected developments in the general Government balance in 2021 and 2022.

On 2 June 2021, the Commission adopted a Communication on economic policy coordination indicating that the general escape clause of the Stability and Growth Pact will continue to be applied in 2022 and deactivated as of 2023.

In its Recommendation of 18 June 2021, the Council recommended that in 2022 Malta maintain a supportive fiscal stance, including from the impulse provided by the Recovery and Resilience Facility, and preserve nationally financed investment. The Council also recommended Malta to pursue, when economic conditions allow, a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term and, at the same time, to enhance investment to boost growth potential.

On 15 October 2021, Malta submitted the Draft Budgetary Plan for 2022 with the aim of strengthening further the distributional policies, enhancing social inclusion, promote social mobility and reduce poverty. Furthermore, it aimed to provide the conditions for the economy to recover from the impact of the COVID-19 pandemic and creating employment within the framework of inclusive economic growth. Lastly, it also focused on facilitating the Green and Digital transitions.

On 24 November 2021, in the European Semester Autumn Package, the Commission based its opinion on the fiscal policy recommendations adopted by the Council in June 2021, taking into account the continued application of the general escape clause of the Stability and Growth Pact in 2022 and noted that the Member States were to unwind the temporary emergency measures and increasingly focus support measures on sustaining the recovery.

4.1 Assessment of compliance with the provisions of the Stability and Growth Pact and the Fiscal Responsibility Act

The general Government deficit in Malta was 5.8 per cent of GDP in 2022, above the 3.0 per cent of GDP Treaty reference value, but significantly better than the outturn in 2021, when the budget deficit reached 7.8 per cent of GDP. Meanwhile, the debt ratio declined to 53.4 per cent of GDP in 2022, from 55.1 per cent of GDP a year earlier.

A comparison with the original targets presented in October 2021 for the 2022 budget reveals that the budget deficit, which was projected to reach 5.6 per cent of GDP in 2022, was almost on target, as higher than anticipated revenue was more than offset by variances in expenditure, reflecting the unanticipated roll-out of energy support measures, which led to increased expenditure on subsidies. Indeed, the discretionary measures in 2022 relating to the still remaining Covid-19 related expenditure, support measures put in place by Government to stabilise the prices of energy, fuel and animal fodder, and the restructuring costs of the national airline, were estimated at 5.5 per cent of GDP. This suggests that the 2022 excessive deficit was predominantly related to the temporary support measures.

Despite this deterioration in the fiscal position, the debt ratio turned out to be lower than the 61.8 per cent of GDP originally projected in October 2021. Indeed, the debt ratio, originally anticipated to increase and exceed the 60.0 per cent threshold, actually declined to 53.4 per cent. This followed the strong pace of economic expansion, supported by the decision of the Maltese Government to insulate the economy from the ramifications of the international energy and food crisis.

On 24 May 2023, the Commission adopted a Report under Article 126(3) of the Treaty on the compliance with the deficit and debt criteria. Malta was amongst ten Member States that exceeded the deficit reference value in 2022, which excess is considered to be exceptional as defined by the Treaty. Despite exceeding the deficit reference value in 2022, Malta was amongst the seven Member States which did not exceed the 60 per cent debt to GDP reference value. Taking into account the persistently high uncertainty for the macroeconomic and budgetary outlook, at this juncture the Commission has not proposed the opening of new excessive deficit procedures in Spring 2023.

The Malta Fiscal Advisory Council (MFAC) considered that the existence of 'exceptional circumstances', which under Malta's national budgetary rules also allows for greater flexibility in the conduct of fiscal policy, persisted in 2022. The assessment of compliance with the fiscal rules by the MFAC was '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 2022

(growth %)

Table 1

	Medium Term Fiscal Strategy 2021-2024*	Draft Budget Plan 2022**	Actual 2022***
Gross Domestic Product (at current Market Prices)	8.9	8.6	12.7
Private Final Consumption Expenditure	7.1	5.7	15.8
General Government Final Consumption Expenditure	-0.7	5.3	6.5
Gross Fixed Capital Formation	13.9	10.2	38.5
Exports of Goods and Services	8.5	8.9	11.2
Imports of Goods and Services	7.0	7.5	14.4
Compensation of Employees	5.7	4.3	9.6
Operating Surplus and Mixed Income	10.5	4.1	16.6
Tourism Earnings	199.1	196.8	133.1
Employment	3.5	2.2	6.1
Inflation	1.5	1.7	6.1

*Source: Malta: Medium-Term Fiscal Strategy 2021-2024, published June 2021
**Source: 2022 Draft Budgetary Plan, published October 2021
***Source: NSO News Release 095/2023 Gross Domestic Product Q1/2023

Actual Fiscal Developments vs Target for 2022

European System of Accounts

(Millions of Euro)

Table 2

	Medium Term Fiscal Strategy 2021-2024*	Draft Budget Plan 2022**	Actual 2022***
Revenue	**5,422.3**	**5,611.3**	**5,913.9**
Components of revenue			
Taxes on production and imports	1,689.5	1,862.3	1,777.5
Current taxes on income and wealth	1,920.2	1,995.5	2,299.1
Capital taxes	25.6	25.8	36.2
Social contributions	912.5	912.2	990.6
Property income	84.3	71.0	80.6
Market Output and Output for own final use	499.5	439.2	513.5
Other revenue	290.7	305.4	216.5
Expenditure	**6,248.4**	**6,462.0**	**6,894.9**
Components of expenditure			
Compensation of employees	1,782.0	1,855.7	1,830.2
Intermediate consumption	1,265.2	1,421.6	1,365.9
Social payments in cash and in kind	1,448.7	1,521.3	1,489.1
Interest expenditure	163.4	166.1	166.0
Subsidies	236.2	254.8	849.4
Gross fixed capital formation	690.4	742.4	563.9
Capital Transfers Payable	297.2	162.1	154.2
Other expenditure	365.2	338.0	476.2
General Government Balance	**-826.1**	**-850.7**	**-981.1**
Primary Balance	**-662.7**	**-684.6**	**-815.1**

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

**Source: 2022 Draft Budgetary Plan, published October 2021

*** Source: Malta: Medium-Term Fiscal Strategy 2023-2026, published June 2023

General Government Budgetary Developments in 2022

Divergence from previous forecasts
(Millions of Euro)

Table 3

	ESA Code	MTFS 2023 compared to MTFS 2021				MTFS 2023 compared to DBP 2022			
		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	**226**	**128**	**-508**	**-155**	**215**	**394**	**-740**	**-130**
2. Central Government	S.1311	226	128	-508	-155	215	394	-740	-130
3. State Government	S.1312	-	-	-	-	-	-	-	-
4. Local Government	S.1313	0	0	0	0	0	0	0	0
5. Social Security funds	S.1314	-	-	-	-	-	-	-	-
For the General Government									
6. **Total Revenue**	TR	**543**	**127**	**-177**	**492**	**330**	**374**	**-402**	**303**
Of which									
Taxes on Production and Imports	D.2	156	44	-111	88	31	94	-210	-85
Of which									
Value Added Type Taxes (VAT)	D.211	157	52	-66	142	42	58	-126	-26
Taxes on Financial and Capital Transactions	D.214C	14	-9	-22	-18	8	35	-27	16
Current Taxes on Income, Wealth, etc.	D.5	322	56	1	379	235	211	-142	304
Of which									
Taxes on Individual or Household Income	D.51M	133	51	8	192	115	147	-62	200
Taxes on the income or profits of Corporations	D.51O	191	5	-1	195	121	64	-74	111
Capital Taxes	D.91	5	-3	9	12	13	26	-28	10
Social Contributions	D.61	60	29	-11	78	51	43	-16	78
Of which									
Employers' Actual Pension Contributions	D.611	27	13	-16	24	28	18	-5	42
Households' actual social contributions	D.613	32	16	-4	44	17	25	-4	39
Property Income	D.4	0	0	-4	-4	0	0	10	10
Other [(a)]		0	0	-60	-60	0	0	-15	-15

7. **Total Expenditure**	TE	**317**	**-2**	**331**	**647**	**115**	**-20**	**338**	**433**
Compensation of employees	D.1	79	0	-31	48	15	0	-41	-25
Intermediate Consumption	P.2	0	0	101	101	0	0	-56	-56
Social Payments	D.6	-22	-2	64	40	-45	-20	33	-32
Of which									
Unemployment expenditure		-4	-2	4	-2	-23	-20	23	-20
Interest Expenditure	D.41	9	0	-7	3	10	0	-10	0
Subsidies	D.3	112	0	501	613	69	0	525	595
Gross Fixed Capital Formation	P.51	0	0	-126	-126	0	0	-179	-179
Capital Transfers	D.9	0	0	-143	-143	0	0	-8	-8
Other [b]		139	0	-28	111	66	0	72	138

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 2022

(percentage points of GDP[1])

Table 4

	Medium Term Fiscal Strategy 2021-2024*	Draft Budget Plan 2022**	Actual 2022***
General Government Balance	-5.6	-5.6	-5.8
One-off and other temporary measures[2]	0.0	0.0	0.0
General Government Balance net of One-offs	-5.6	-5.6	-5.8
Output Gap Estimates	-2.4	-2.5	0.5
Cyclically-Adjusted Budget Balance	-4.4	-4.4	-6.1
Structural Balance	-4.5	-4.5	-6.1
Structural Adjustment	5.2	4.2	0.9

(1) GDP for 2022 used in the 2021 MTFS and the 2022 DBP was an estimate, while GDP for 2022 used in the 2023 MTFS was actual

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

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

**Source: 2022 Draft Budgetary Plan, published October 2021

*** Source: Malta: Medium-Term Fiscal Strategy 2023-2026, published June 2023

Consolidated Fund
Actual Fiscal Developments vs Budget Targets for 2022

(Millions of Euro)

Table 5

	Approved Estimate*	Actual**	Variance
Recurrent Revenue	**5,704.7**	**5,845.2**	**-140.5**
Tax Revenue	**5,134.3**	**5,313.7**	**179.4**
Indirect Tax Revenue	*1,999.0*	*1,867.6*	*-131.4*
Customs and Excise Duties	345.1	284.6	-60.5
Licenses, Taxes, and Fines	389.7	351.6	-38.1
Value Added Tax	1,264.2	1,231.4	-32.9
Direct Tax Revenue	*3,135.3*	*3,446.1*	*310.8*
Income Tax	1,920.0	2,140.0	220.0
Social Security	1,215.3	1,306.1	90.9
Non-Tax Revenue	**570.4**	**531.4**	**-38.9**
Fees of Office	114.9	110.8	-4.1
Sales	42.2	96.2	54.0
Reimbursements	4.8	5.9	1.0
Central Bank of Malta	18.4	22.2	3.8
Rents	35.9	30.8	-5.0
Dividends on Investments	46.6	49.5	2.9
Repayment of Interest on Loans	0.3	0.2	-0.1
Grants	248.4	195.5	-52.9
Miscellaneous	58.8	20.3	-38.5
Total Expenditure	**6,441.8**	**6,745.5**	**303.7**
Recurrent Expenditure	**5,329.5**	**5,832.5**	**503.0**
Personal Emoluments	1,132.2	1,127.2	-5.1
Operations and Maintenance	254.9	262.5	7.6
Programmes and Initiatives	3,226.0	3,647.3	421.3
Contributions to Government Entities	716.4	795.6	79.3
Interest Payments	**181.4**	**173.6**	**-7.8**
Capital Expenditure	**930.9**	**739.3**	**-191.6**
Government Consolidated Fund Balance	**-737.1**	**-900.3**	**-163.2**

*Source: Financial Estimates 2022, Ministry for Finance; as announced in October 2021

**Source: NSO News Release 054/2023 - Government Finance Data: January-December 2022

Actual General Government Public Debt vs Budget Targets for 2022

(Millions of Euro)

Table 6

	Approved Estimate*	Actual**	Variance
General Government Public Debt	**9,373.7**	**9,003.3**	**-370.4**
Composition of Gross Public Debt			
Malta Government Stocks	7,363.5	6,861.0	-502.5
Malta Government Retail Savings Bonds	376.7	375.2	-1.5
Treasury Bills	640.0	801.9	161.9
Domestic Loans with Commercial Banks	0.0	0.0	0.0
Foreign Loans	420.6	420.6	0.0
EBU's/Local Councils	167.6	150.5	-17.1
Currency	105.5	98.8	-6.7
ESA Re-Routed Debt	299.9	295.3	-4.6

*Source: Treasury
**Source: NSO

The Dynamics of Government Debt for 2022

(percentage points of GDP [1])

Table 7

	Medium Term Fiscal Strategy 2021-2024	Draft Budget Plan 2022	Actual 2022
Percentages of GDP	Estimate*	Estimate**	Actual***
Gross debt	65.8	61.8	53.4
Change in gross debt ratio	0.8	0.5	-1.7
Contributions to changes in gross debt			
Primary balance	4.5	4.5	4.8
Snowball Effect	-4.2	-3.8	-5.1
Interest expenditure	1.1	1.1	1.0
Real GDP growth	-4.2	-3.7	-3.5
Inflation Effect	-1.1	-1.1	-2.6
Stock-flow adjustment	0.5	-0.3	-1.4
p.m. implicit interest rate on debt	1.9	1.9	2.0

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 2021-2024, published June 2021
**Source: 2022 Draft Budgetary Plan, published October 2021
*** Source: Malta: Medium-Term Fiscal Strategy 2023-2026, published June 2023