



MALTA: ANNUAL REPORT 2023

**In line with Article 41 of the Fiscal
Responsibility Act**

Ministry for Finance

June 2024

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1. Introduction

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

This Report details fiscal developments in 2023, comparing outcomes with the 2022 Medium-Term Fiscal Strategy (2022 MTFS) for 2023-2025 and the updated fiscal targets in the Draft Budgetary Plan for 2023 (DBP 2023). It also analyses public finance developments in 2023, considering the Fiscal Responsibility Act's principles and rules and the Government's European commitments under the Stability and Growth Pact.

In 2023, the Maltese economy experienced significant growth driven primarily by net exports, particularly in services exports, despite a weak external environment. Private consumption expenditure also grew robustly, supported by a strong labour market, while government consumption expenditure increased moderately. However, investment contracted due to a base effect from a substantial transport investment in 2022. In view of these developments, in 2023, the Maltese economy recorded a real growth rate of 5.6 per cent and a nominal rate of 11.2 per cent.

Despite better-than-projected economic metrics in 2023 (Table 1), global economic trends - including commodity prices, and geopolitical developments – kept influencing the Maltese Government's fiscal policy decisions. Notably fiscal policy decisions were shaped by balancing the need for economic stabilisation with fiscal sustainability. To counter inflationary pressures, the Government adjusted spending, aiding economic expansion and stabilising prices. Despite challenges, the deficit target for 2023 was met and surpassed, coupled with a lowered debt ratio of 50.4 per cent of GDP by end 2023.

The Annex includes a statistical overview of the final execution data for the indicators provided in the 2022 MTFS and the 2023 DBP.

2. The 2023 targets as established in the 2022 Medium-Term Fiscal Strategy and the Draft Budgetary Plan for 2023

The targets set in the 2022 Medium-Term Fiscal Strategy (2022 MTFS) and the Draft Budgetary Plan for 2023 (DBP2023) are assessed using data classified according to the European System of Accounts (ESA) 2010, and therefore subject to further revisions.

The main developments in relation to the final fiscal position for 2023 compared to the targets within the 2022 MTFS and the DBP 2023 are shown in table 2 of the annex. In the 2022 MTFS, the Maltese economy was projected to grow by 3.9 per cent in real terms and 5.8 per cent in nominal terms, driven mainly by domestic demand (contributing 3.1 percentage points) and with net exports adding 0.8 percentage points. The plan assumed that inflationary pressures would subside in 2023, due to high base effects from the previous year and a slowdown in demand caused by high prices, although prices were not expected to return to pre-pandemic levels. In the 2022 MTFS, the revenue-to-GDP ratio was expected to remain unchanged at 38.1 per cent of GDP in 2023, while the expenditure-to-GDP ratio was expected to decline by 0.9 percentage points, such that the general Government deficit was expected to improve from 5.4 per cent of GDP in 2022 to 4.6 per cent of GDP in 2023.

By Autumn 2022 growth projections were revised downwards and the Maltese economy was projected to grow by 3.5 per cent in real terms. However inflationary pressures were reassessed to be more persistent and nominal growth was revised upwards to 7.3 per cent. It is notable that real economic growth was closer to the 2022 MTFS targets, however inflation turned out higher than expected in Spring 2022, resulting in a more significant nominal growth increase which was more in line with the Autumn 2022 projection. Domestic demand was anticipated to contribute 2.5 percentage points, while net exports were expected to marginally contribute 0.9 percentage points to

growth, in line with the assumption of a deteriorating external environment.

Overall however, both sets of growth projections for 2023 underestimated actual growth recorded in that year and the persistence of inflationary pressures.

Against this background, together with the economic challenges brought about by the escalation of the Russia-Ukraine war – the latter a primary cause of increased inflationary pressures - the Government adjusted its spending to support the economy and stabilise the price of basic commodities. This allowed the economy to register a notable rate of economic expansion and generate more revenues than anticipated to finance additional support from public funds being provided by the Government.

The fiscal policy strategy outlined in the DBP 2023 revolved around the following core principles:

- Stabilising the economy through the Government's political commitment to shelter households and firms from a temporary surge in the price of essential commodities such as energy and food, including protecting the most vulnerable through social support measures specifically aimed towards specific groups.
- Supporting economic growth while preserving fiscal sustainability through an increase in revenue consistent with economic growth and expenditure consolidation measures.
- Strengthening the potential of the economy by undertaking the necessary investments and reforms for the economy to grow in a sustainable manner, particularly by facilitating the Green & Digital transitions.

The DBP 2023 revised the budget deficit target upwards to 5.5 per cent of GDP, 0.9 percentage points higher compared to the estimate of 4.6

per cent outlined in the 2022 MTFS, as higher estimated revenue in 2023 was expected to be more than offset by an upward revision in the general Government expenditure. Although the structural deficit was still expected to improve compared to 2022, it was estimated at 5.3 per cent of potential GDP, compared to the estimate of 4.0 per cent outlined in the 2022 MTFS. In the DBP 2023, the debt ratio was expected to increase to 59.1 per cent of GDP, from 57.0 per cent in 2022, but decrease from an estimate of 59.4 per cent of GDP in the 2022 MTFS.

The main revision in the 2023 general Government revenue projected in Autumn 2022 compared to the earlier estimates outlined in the 2022 MTFS related to taxes on the income and profit of corporations, reflecting better than anticipated tax revenue in 2022, primarily from corporate income tax. This was in part offset by weaker economic growth prospects anticipated for 2023 as economic conditions abroad continued to deteriorate at the time of the forecast, following the continuation of the conflict in Eastern Europe.

Meanwhile, higher than targeted expenditure compared to the estimates outlined in the 2022 MTFS was mainly attributable to an upward revision in subsidies, pertaining to energy measures in view of global inflationary developments expected in 2023 particularly in the energy sector. These were in part offset by a downward revision in intermediate consumption and compensation of employees, reflecting the comprehensive spending review exercise undertaken by the Ministry for Finance to offset the fiscal pressures which were anticipated in relation to energy costs.

3. Fiscal Developments in 2023

The general Government balance for 2023 amounted to a deficit of €950.4 million, an improvement of €14.4 million over the deficit recorded in 2022. Total revenue increased by €581.0 million to €6,483.0 million, while

expenditure amounted to €7,433.5 million, increasing by €566.7 million. As a share of GDP, the general Government balance was equivalent to a deficit of 4.9 per cent, decreasing by 0.6 percentage points when compared to the previous year. Although the general Government debt increased to €9,767.8 million in 2023, the debt-to-GDP ratio for 2023 decreased to 50.4 per cent, down from 51.6 per cent in 2022.

Despite the increase in the level of the general Government revenue, its ratio to GDP decreased by 0.4 percentage points over 2022. Tax revenue (excluding social contributions) declined by 0.7 percentage points to 22.7 per cent of GDP, but increased in absolute terms, with increases in most components of tax revenue, other than capital taxes. Proceeds from current taxes on income and wealth decreased by 0.4 percentage points in 2023, from 12.9 per cent in 2022 to 12.5 per cent in 2023. Taxes on production and imports declined by 0.3 percentage points of GDP, to 10.0 per cent of GDP in 2023. Meanwhile, the ratio of capital taxes to GDP remained unchanged at 0.2 per cent, although it declined marginally in absolute terms. The ratio of social contributions to GDP declined by 0.2 percentage points. On the contrary, 'other' revenue and property income increased by 0.3 and 0.2 percentage points respectively, the former mainly reflecting higher market output.

The ratio of the general Government expenditure to GDP also decreased by 1.0 percentage point to 38.4 per cent in 2023, however it did increase in absolute terms, primarily reflecting higher capital transfers. Indeed, the ratio of capital transfers to GDP has increased by 0.9 percentage points to 1.7 per cent of GDP, primarily on account of Malta Enterprise Schemes, including tax credits, a higher contribution to a main utility provider for capital investment, renewable energy initiatives, and housing-related schemes. A slightly higher ratio was also recorded for interest expenditure, intermediate consumption, and gross fixed capital formation.

The expenditure ratio decreased for the remaining expenditure components, in particular subsidies. Expenditure on subsidies was €89.0 million lower than in 2022, such that the ratio to GDP of this component declined by 1.0 percentage point. These developments primarily reflect the phasing out of the wage supplement scheme and lower expenditure on energy subsidies. Other current transfers were also €67.0 million lower than in 2022, resulting in a decline of 0.7 percentage points in the ratio to GDP. Lower expenditure on other current transfers can be attributed to the non-recurrence of the 2022 one-time bonus payment. Despite higher expenditure in level terms, a lower ratio to GDP is recorded for compensation of employees and social benefits.

Discretionary measures, including energy support measures.

The Budget for 2023 further enhanced the disposable income of low- and middle- income earners and incentivised people to work by extending and increasing measures aimed at making work pay. Such measures include the in-work benefit scheme, the tapering of benefits and the reduction of the tax burden on workers, through lower tax on part-time and overtime work and financial incentives to employees and the self-employed. Furthermore, the Government has continued to support incomes through further increases in the children's allowance and pensions, and an increase in stipends allowance to students on a pro-rata basis. To continue strengthening social inclusion, promote social mobility and reduce poverty, several policy measures which had been put in place in previous years, intended to ensure affordable housing availability were extended, and widened in scope, together with an additional grant for first time buyers payable over 10 years. The cost of this grant amounted to 0.2 per cent of GDP in 2023.

The extended COLA mechanism targeted towards vulnerable households was introduced, intended to target costs associated

with the most fundamental needs of food, housing, utilities, household maintenance and health, which is in the form of a lump sum paid biannually. In 2023, the cost of the measure amounted to 0.1 per cent of GDP.

Furthermore, the Government supported industry and the public by means of lower indirect taxes on energy consumption and subsidies to counter the increased expenses related to imported fuels, electricity, and essential goods. As energy prices stabilised at lower prices in 2023, the cost of energy support measures declined from 2.5 per cent of GDP in 2022 to 1.8 per cent in 2023.

In addition, costs relating to the early retirement scheme of pilots and cabin crew and other restructuring assistance to Air Malta Plc amounted to 0.7 per cent of GDP in 2023, compared to 0.8 per cent in 2022.

3.1 Comparison with the 2022 MTFS and the 2023 DBP

In 2023, the general Government recorded a deficit of €950.4 million, which exceeded the 2022 MTFS forecast by €191.4 million, but was €21.6 million lower than the DBP 2023 forecast. Higher-than-expected general Government revenue surpassed estimates by €195.0 million in the 2022 MTFS and by €7.2 million in the DBP2023. However, increased revenue was more than offset by higher-than-anticipated expenditure, exceeding expectations by €386.4 million compared to the 2022 MTFS targets. On the contrary, expenditure was €14.3 million below the target in the DBP 2023.

Table 3 disaggregates the developments in the general Government budgetary execution in 2023 between successive reports due to the impact of the actual outturn in 2022 (base effect) on tax revenue, the macroeconomic determinants and other changes (mainly capturing the updated fiscal impact of discretionary measures). The higher revenue compared to the 2022 MTFS estimate was largely due to better-than-expected macroeconomic developments in 2023 which

provided a significant boost to revenue by €151 million with significant contributions stemming from current taxes on income and wealth, but also social contributions and taxes on production and imports. Base effects carried forward from the previous year were, on balance, marginally negative by €11 million on the actual outturn. Better than expected revenue from other developments of €56 million was recorded. This reflected primarily higher than expected contributions from taxes on corporate income, property income and other revenue which more than mitigated the lower than anticipated revenue from VAT and tax revenue from personal income.

Meanwhile higher outlays when compared to the 2022 MTFS estimate amounted to €386 million. These developments particularly relate to the base effect of €336 million higher than estimated expenditure in 2022, primarily towards subsidies and other expenditure, partly compensated for by lower than estimated expenditure on compensation of employees and social payments. Meanwhile, lower health-related intermediate consumption expenditure and capital expenditure classified under this category was for the most part compensated for by higher-than-planned expenditure towards operational and maintenance expenditure and a higher FISIM allocation.

The fiscal performance in 2023 was generally more in line with the DBP 2023 targets, with the deficit diverging by just €22 million. Whilst the stronger economic performance generally contributed to a lower deficit, the weaker than expected outcome in 2022 created negative base effects on 2023 which neutralised to a great extent the positive economic contribution. Higher revenues were recorded relative to the DBP2023. More buoyant macroeconomic developments more than offset the negative impact of a lower outturn in 2022 on which the tax revenue projections for 2023 were based, and a more subdued response of tax revenue to developments in the underlying tax base. Indeed, revenue from current taxes on income and wealth was higher

than expected due to stronger macroeconomic developments, despite lower revenue in 2022. Similar developments are noted for revenue from social contributions, which exceeded the 2023 DBP estimate by €46 million. Meanwhile, revenue from taxes on production and imports fell short of the 2023 DBP estimate by €47 million, despite stronger macroeconomic developments.

Meanwhile lower outlays when compared to the 2023 DBP estimate amounted to €14 million. Lower outlays towards subsidies of €114 million were reported due to lower cost of energy support measures. In 2023, restructuring assistance to Air Malta was also less than estimated. This was partly balanced by higher spending on capital transfers reflecting stronger than planned capital investment in infrastructure. In addition, intermediate consumption was higher than estimated, reflecting higher-than-planned expenditure towards operational and maintenance expenditure, a higher FISIM allocation, as well as higher intermediate consumption by EBUS. These developments reflected higher than expected inflationary pressures and interest rates.

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 general escape clause of the Stability and Growth Pact had been active since March 2020. On 23 May 2022, the Commission indicated, in its Communication on the European Semester, that heightened uncertainty and strong downside risks to the economic outlook in the context of war in Europe, unprecedented energy price hikes and continued supply chain disturbances warranted the extension of the general escape clause of the Stability and Growth Pact through 2023. The continued activation of the general escape clause in 2023

provided the space for national fiscal policy to react promptly when needed, while ensuring a smooth transition from the broad-based support to the economy during the pandemic times, towards an increasing focus on temporary and targeted measures, and fiscal prudence required to ensure medium-term sustainability.

In April 2022, Malta submitted its 2022 Update of the Stability Programme compiled in the context of continued and elevated uncertainty brought about by exceptional circumstances surrounding the Covid-19 pandemic, then in its third year, and the repercussions of the conflict in Ukraine and their effect on major commodity prices and the global supply chain disruptions. In this regard, Malta outlined its budgetary response to the post-pandemic recovery, as well as the main measures devised to support the economy to withstand sizeable external shocks.

On 12 July 2022, the Council recommended that Malta take action to ensure that in 2023, the growth of nationally financed primary current expenditure is in line with an overall neutral policy stance, considering continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. The Council also recommended that Malta expanded public investment for the green and digital transitions by making use of the Recovery and Resilience Facility and other Union funds.

On 17 October 2022, Malta submitted the Draft Budgetary Plan for 2023 focusing on the protection of households and firms from a temporary surge in the price of essential commodities while at the same time aiming to preserve fiscal sustainability by means of expenditure consolidation measures and the growth in revenue consistent with economic growth. The Government was committed to undertake the necessary investments and reforms necessary to ensure an adequate supply of skills, manpower, knowledge, knowhow, and capital necessary including the

ability to procure the access to an adequate and secure supply of energy at reasonable costs, and thus preserve Malta's competitiveness and viability.

On 22 November 2022, based on the Commission's forecast and including the information incorporated in the Draft Budgetary Plan, the overall fiscal policy stance was estimated to be contractionary. Malta planned to finance additional investment through the Recovery and Resilience Facility and other EU funds. Moreover, due to the prolongation of support measures in response to high energy prices, the Commission highlighted the importance that such measures target the most vulnerable households and exposed firms, to preserve incentives to reduce energy demand, and to be withdrawn as energy price pressures diminish. Overall, the Commission considered that the Draft Budgetary Plan for Malta was in line with the fiscal guidance contained in the Council recommendation of 12 July 2022.

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

Malta's general Government deficit in 2023 stood at 4.9 per cent of GDP, surpassing the 3.0 per cent Treaty reference value but marking a 0.6 percentage point decrease from the 5.5 per cent deficit in 2022. Concurrently, the debt ratio dropped to 50.4 per cent of GDP in 2023 from 51.6 per cent the previous year.

A comparison with the deficit target of 5.5 per cent of GDP set in October 2022 for the 2023 budget, reveals that the deficit was 0.6 percentage points lower than projected, attributed to lower-than-expected expenditure offsetting reduced revenue. The 2023 deficit was largely due to temporary support measures, including decreased indirect taxes on energy consumption and subsidies for imported fuels, electricity, and essential goods, costing

1.8 per cent of GDP. Additionally, a biannual lump sum payment through the extended COLA mechanism targeting vulnerable households' basic needs, costing 0.1 per cent of GDP. Expenses related to the early retirement scheme for pilots and cabin crew and other support to Air Malta Plc totalled 0.7 per cent of GDP. Altogether, temporary discretionary measures amounted to 2.6 per cent of GDP.

The debt ratio was notably lower than the originally projected 59.1 per cent of GDP, and ultimately declining to 50.4 per cent, buoyed by robust economic growth.

In the report prepared in accordance with Article 126(3) of the Treaty on the Functioning of the European Union, the Commission outlined that the general Government deficit decreased from 7.6 per cent in 2021 to 5.5 per cent in 2022, and further to 4.9 per cent in 2023. The Commission's assessment suggests that Malta's deficit in 2023 was not close to the reference value of 3.0 per cent of GDP. The fiscal stance in 2023 was contractionary, with a reduction of 0.6 per cent of GDP amidst high inflation. The growth in nationally financed primary current expenditure contributed to this contractionary stance by 1.6 per cent of GDP. Malta's debt ratio, remains below the 60 per cent of GDP threshold.

Macroeconomic Forecast vs Estimates for 2023

(growth %)

Table 1

	Medium Term Fiscal Strategy 2022- 2025*	Draft Budget Plan 2023**	Actual 2023***
Gross Domestic Product (at current Market Prices)	5.8	7.3	11.3
Private Final Consumption Expenditure	4.6	7.9	13.9
General Government Final Consumption Expenditure	3.5	-0.2	6.7
Gross Fixed Capital Formation	7.7	10.3	-16.8
Exports of Goods and Services	4.9	5.7	11.6
Imports of Goods and Services	4.3	4.9	7.2
Compensation of Employees	5.1	6.7	9.3
Operating Surplus and Mixed Income	5.4	8.1	11.6
Tourism Earnings	31.7	21.7	28.9
Employment	2.1	3.4	6.7
Inflation	2.2	3.7	5.6

*Source: Malta: Medium-Term Fiscal Strategy 2022-2025, published June 2022

**Source: 2023 Draft Budgetary Plan, published October 2022

***Source: NSO News Release 099/2024 Gross Domestic Product Q1/2024

Actual Fiscal Developments vs Target for 2023

European System of Accounts

(Million Euro)

Table 2

	Medium Term Fiscal Strategy 2022- 2025*	Draft Budget Plan 2023**	Actual 2023***
Revenue	6,288.0	6,475.8	6,483.0
Components of revenue			
Taxes on production and imports	1,967.4	1,985.7	1,939.0
Current taxes on income and wealth	2,383.4	2,423.1	2,430.6
Capital taxes	24.4	25.8	34.9
Social contributions	991.4	1,021.8	1,067.7
Property income	79.1	84.2	109.6
Market Output and Output for own final use	491.2	561.0	636.8
Other revenue	351.2	374.2	264.5
Expenditure	7,047.0	7,447.8	7,433.5
Components of expenditure			
Compensation of employees	2,006.6	1,952.1	1,948.1
Intermediate consumption	1,529.1	1,408.8	1,516.1
Social payments in cash and in kind	1,580.9	1,621.5	1,586.2
Interest expenditure	174.7	227.1	213.9
Subsidies	478.7	859.1	744.8
Gross fixed capital formation	693.6	681.6	671.5
Capital Transfers Payable	199.7	198.3	329.2
Other expenditure	383.7	499.3	423.6
General Government Balance	-759.0	-972.0	-950.4
Primary Balance	-584.3	-744.9	-736.5

*Source: Malta: Medium-Term Fiscal Strategy 2022-2025, published June 2022

**Source: 2023 Draft Budgetary Plan, published October 2022

General Government Budgetary Developments in 2023

Divergence from previous forecasts

Table 3

€ millions

		Actual outturn compared to MTFS 2022				Actual outturn compared to DBP 2023			
	ESA Code	Divergence due to outturn in <i>t-1</i>	Divergence due to updated macro-economic projections	Other revisions	Total forecast revision	Divergence due to outturn in <i>t-1</i>	Divergence due to updated macro-economic projections	Other revisions	Total forecast revision
Net lending (+)/net borrowing (-)									
1. General Government	S.13	-347	150	5	-191	-139	154	6	22
2. Central Government	S.1311	-347	150	5	-191	-139	154	6	22
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	-11	151	56	195	-92	149	-50	7
Of which									
Taxes on Production and Imports	D.2	-6	25	-47	-28	-32	39	-54	-47
Of which									
Value Added Type Taxes (VAT)	D.211	23	37	-77	-17	7	29	-114	-77
Taxes on Financial and Capital Transactions	D.214C	3	-6	-9	-12	-11	12	10	11
Current Taxes on Income, Wealth, etc.	D.5	-50	94	4	47	-79	86	1	7
Of which									
Taxes on Individual or Household Income	D.51M	55	40	-48	47	140	39	-51	128
Taxes on the income or profits of Corporations	D.510	-102	53	50	1	-216	47	53	-117
Capital Taxes	D.91	11	-2	2	11	10	4	-5	9
Social Contributions	D.61	35	34	7	76	9	20	17	46
Of which									
Employers' Actual Pension Contributions	D.611	16	16	1	33	11	9	3	23
Households' actual social contributions	D.613	20	19	1	40	9	11	2	22
Property Income	D.4			30	30			25	25
Other ^(a)				59	59			-34	-34

General Government Budgetary Developments in 2023

Divergence from previous forecasts

Table 3

€ millions

	ESA Code	Actual outturn compared to MTF5 2022				Actual outturn compared to DBP 2023			
		Divergence due to outturn in <i>t-1</i>	Divergence due to updated macro-economic projections	Other revisions	Total forecast revision	Divergence due to outturn in <i>t-1</i>	Divergence due to updated macro-economic projections	Other revisions	Total forecast revision
7. Total Expenditure	TE	336	1	50	386	47	-5	-56	-14
Of which									
Compensation of employees	D.1	-59		0	-59	-27		23	-4
Intermediate Consumption	P.2	0		-13	-13	0		107	107
Social Payments	D.6	-40	1	45	5	0	-5	-30	-35
Of which									
Unemployment expenditure		0	1	0	1	-6	-5	6	-5
Interest Expenditure	D.41	-2		41	39	0		-13	-13
Subsidies	D.3	375		-109	266	68		-182	-114
Gross Fixed Capital Formation	P.51	0		-22	-22	0		-10	-10
Capital Transfers	D.9	0		130	130	0		131	131
Other ^(b)		62		-22	40	5		-81	-76

Notes:

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

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

Cyclical Developments in 2023

(percentage points of GDP⁽¹⁾)

Table 4

	Medium Term Fiscal Strategy 2022-2025*	Draft Budget Plan 2023**	Actual 2023***
General Government Balance	-4.6	-5.5	-4.9
One-off and other temporary measures ⁽²⁾	0.0	0.0	0.0
General Government Balance net of One-offs	-4.6	-5.5	-4.9
Output Gap Estimates	-1.3	-0.6	0.0 ⁽³⁾
Cyclically-Adjusted Budget Balance	-4.0	-5.3	-4.9
Structural Balance	-4.0	-5.3	-4.9
Structural Adjustment	0.9	0.6	0.4

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

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

⁽³⁾ European Commission Spring 2024 forecast

*Source: Malta: Medium-Term Fiscal Strategy 2022-2025, published June 2022

**Source: 2023 Draft Budgetary Plan, published October 2022

*** Source: NSO NR070/2024 General Government Balance and Debt under the Maastricht Treaty:
First reporting for 2024

Consolidated Fund
Actual Fiscal Developments vs Budget Targets for 2023
(Million Euro)

Table 5

	Approved Estimate*	Actual**	Variance
Recurrent Revenue	6,368.1	6,413.0	-44.8
Tax Revenue	5,756.8	5,865.0	108.3
<i>Indirect Tax Revenue</i>	<i>2,084.8</i>	<i>1,993.0</i>	<i>-91.7</i>
Customs and Excise Duties	325.0	305.5	-19.5
Licenses, Taxes, and Fines	383.8	405.7	22.0
Value Added Tax	1,376.0	1,281.8	-94.2
<i>Direct Tax Revenue</i>	<i>3,672.0</i>	<i>3,872.0</i>	<i>200.0</i>
Income Tax	2,309.0	2,459.7	150.7
Social Security	1,363.0	1,412.3	49.3
Non-Tax Revenue	611.4	548.0	-63.4
Fees of Office	77.5	92.1	14.6
Sales	98.8	101.6	2.8
Reimbursements	2.7	9.1	6.5
Central Bank of Malta	33.0	0.0	-33.0
Rents	35.9	32.7	-3.2
Dividends on Investments	55.9	44.0	-11.8
Repayment of Interest on Loans	0.3	1.5	1.3
Grants	298.3	224.7	-73.6
Miscellaneous	9.1	42.2	33.1
Total Expenditure	7,348.0	7,220.9	-127.1
Recurrent Expenditure	6,206.8	6,008.1	-198.7
Personal Emoluments	1,172.6	1,199.4	26.9
Operations and Maintenance	262.8	318.0	55.2
Programmes and Initiatives	4,021.0	3,700.9	-320.2
Contributions to Government Entities	750.4	789.8	39.4
Interest Payments	219.0	214.3	-4.7
Capital Expenditure	922.2	998.6	76.4
Government Consolidated Fund Balance	-979.9	-808.0	171.9

*Source: Financial Estimates 2023, Ministry for Finance; as announced in October 2022

**Source: NSO News Release 059/2024 - Government Finance Data: January-December 2023

Actual General Government Public Debt vs Budget Targets for 2023

(Million Euro)

Table 6

	Approved Estimate*	Actual**	Variance
General Government Public Debt	10,372.3	9,767.8	-604.5
Composition of Gross Public Debt			
Malta Government Stocks	8,319.5	7,813.2	-506.3
Malta Government Retail Savings Bonds	282.6	351.7	69.2
Treasury Bills	763.0	558.2	-204.8
Domestic Loans with Commercial Banks	0.0	0.0	0.0
Foreign Loans	420.5	492.5	72.0
EBU's/Local Councils	154.4	146.9	-7.5
Currency	112.0	102.8	-9.3
ESA Re-Routed Debt	320.3	302.5	-17.8

*Source: Treasury

**Source: NSO

The Dynamics of Government Debt for 2023

(Percentage points of GDP ⁽¹⁾)

Table 7

	Medium Term Fiscal Strategy 2022-2025 Estimate*	Draft Budget Plan 2023 Estimate**	Actual 2023 Actual***
Percentages of GDP			
Gross debt	59.4	59.1	50.4
Change in gross debt ratio	0.8	2.2	-1.2
Contributions to changes in gross debt			
Primary balance	3.5	4.2	3.8
Snowball Effect	-2.1	-2.6	-4.1
Interest expenditure	1.1	1.3	1.1
Real GDP growth	-2.2	-2.0	-2.7
Inflation Effect	-1.0	-1.9	-2.4
Stock-flow adjustment	-0.6	0.5	-0.9
p.m. implicit interest rate on debt	1.9	2.4	2.3

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 2023 used in the 2022 MTFS and the 2023 DBP was an estimate

*Source: Malta: Medium-Term Fiscal Strategy 2022-2025, published June 2022

**Source: 2023 Draft Budgetary Plan, published October 2022

*** Source: MFE