

In 2020, the General Government registered a deficit of €1,267.9 million, equivalent to 9.7 per cent of GDP. The General Government debt amounted to €6,977.5 million or 53.4 per cent of GDP.

General Government Balance and Debt under the Maastricht Treaty: Second reporting for 2021

General Government balance and debt position

The deficit of General Government for 2020 amounted to €1,267.9 million, a decrease of €1,332.2 million over the surplus recorded in the previous year. The balance is calculated as the difference between total revenue (€4,729.9 million) and expenditure (€5,997.8 million) of General Government. When comparing 2020 to 2019, total revenue decreased by €384.4 million, while total expenditure increased by €947.8 million. The fiscal results for 2020 were largely impacted by the COVID-19 pandemic and subsequent government measures to mitigate the economic, social and health risks associated with the pandemic.

Table 1. Main Aggregates

		2017	2018	2019	2020
General Government revenue	€ millions	4,489.3	4,871.9	5,114.3	4,729.9
	% of GDP	37.5	37.5	36.4	36.2
General Government expenditure	€ millions	4,106.5	4,628.5	5,050.0	5,997.8
	% of GDP	34.3	35.7	35.9	45.9
General Government surplus (+) / deficit (-)	€ millions	382.8	243.4	64.3	-1,267.9
	% of GDP	3.2	1.9	0.5	-9.7
General Government debt	€ millions	5,703.7	5,660.4	5,718.5	6,977.5
	% of GDP	47.7	43.6	40.7	53.4

When measured as a percentage of GDP, the General Government balance was equivalent to a deficit of -9.7 per cent, a decrease of 10.2 percentage points when compared to the surplus of 0.5 per cent that was registered in 2019.

General Government debt increased by €1,259.0 million over 2019 and stood at €6,977.5 million. Coupled with a decrease in GDP, the debt-to-GDP ratio for 2020 rose to 53.4 per cent from 40.7 per cent in 2019 (Table 1).

2020 data

In order to arrive at the General Government sector's negative balance for 2020 of €1,267.9 million, adjustments were made to the balance of the Government's Consolidated Fund¹ (NSO news release 058/2021), which registered a deficit of €1,469.8 million, a decrease over the surplus of €9.4 million recorded in 2019. The adjustments are necessary to shift from the Government's Consolidated Fund into an accruals-based exercise compiled in line with the established methodology. The adjustments also take in consideration the Extra Budgetary Units² (EBUs), which are classified within the General Government sector, as well as the Local Government sector. Table 3 provides the transition from the Consolidated Fund to General Government sector.

¹ Compared to the first Excessive Deficit Procedure (EDP) notification, the Government's Consolidated Fund for 2020 has been revised as part of the Treasury Department's reconciliation process concerning the Government's new accounting system, the Corporate Financial Management Solution (CFMS).

² A list at the end of this news release shows the EBUs which formed part of the General Government sector as at 31 December 2020.

The largest notable positive adjustment is related to the Other accounts receivable and payable (€172.8 million), which include €160.7 million in tax deferral dues, a tax relief measure introduced in the wake of the COVID-19 pandemic. This was followed by the surplus recorded by the EBUs of €64.0 million, a decrease of €64.4 million over 2019. Amongst all EBUs, the National Development and Social Fund (NDSF) recorded the highest surplus, amounting to €27.3 million. Other positive adjustments to the Government's Consolidated Fund include the time-adjusted cash transactions (€32.6 million).

In contrast, the main negative adjustments were related to the difference between interest paid and accrued (€41.9 million), as well as rerouted transactions and public-private partnership (PPP) agreements (€23.5 million). Another negative adjustment includes an equity injection classified as expenditure (€13.0 million) (Table 3).

Reporting and updates

On 30 September 2021, Malta submitted the government deficit and debt levels for the years 2017-2020, as part of the Excessive Deficit Procedure (EDP) Notification. This was done in accordance with Council Regulation (EC) No. 479/2009, as amended by Commission Regulation (EU) No. 220/2014.

When compared to the previous submission of 30 March 2021, the balance of the General Government was revised for all years under review. The surpluses recorded in 2017 and 2018 were revised upwards by €9.2 million and €2.6 million, respectively. The surplus registered in 2019 was also revised upwards by €14.2 million. These revisions were primarily attributable to the reclassification of Transport Malta inside the General Government sector, along with the availability of more audited accounts for EBUs and local councils.

The deficit for 2020 was revised downwards by €32.2 million, reflecting an improvement of €15.3 million in the Other accounts receivable and payable category, mainly linked to revisions in tax deferral dues and updated data sources, as well as an upward revision of €10.5 million resulting from wider availability of EBUs' and local councils' audited financial statements. Concurrently, the reclassification of Transport Malta within the General Government sector explains €9.6 million of the aggregate revision in the surplus for 2020.

The main revisions in General Government debt also reflect the reclassification of Transport Malta within the General Government sector. Figures were revised upwards by €25.3 million for 2017 and €20.9 million for 2018. Similarly, upward revisions of €15.7 million and €17.5 million were noted for 2019 and 2020, respectively.

Stock-Flow Adjustment (SFA)

The SFA, also referred to as the deficit-debt adjustment, captures those transactions or factors that influence government debt but are not reflected in the government balance. A SFA of -0.1 per cent of GDP was recorded in 2020. This suggests that the debt increased by less than implied by the annual deficit of 9.6 per cent of GDP. The SFA was mainly the result of increases in the holdings of Other accounts receivable and payable (1.6 per cent of GDP), as well as the holdings of Equity and investment fund shares (0.2 per cent of GDP) and Debt securities (0.1 per cent of GDP). These were partially offset by decreases in Currency and deposits (1.8 per cent of GDP) and the holdings of Loans (0.1 per cent of GDP) (Table 4).

Further information

The data presented in this release is different from the monthly news release on government finance, as the latter reports the Government's Consolidated Fund and is thus presented on a cash basis. This exercise is compiled in line with the European System of Accounts (ESA) 2010 and the Manual on Government Deficit and Debt (2019 edition). It covers the General Government sector, composed of the Budgetary Central Government, the Extra Budgetary Units and the Local Government sector. Apart from the Consolidated Fund, other government accounts, such as the Treasury Clearance Fund and the Sinking Fund, are included, while any financial transactions are excluded, and various accrual adjustments are incorporated.

Data for the Government's Consolidated Fund can be found at:

https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Government-Finance-Data.aspx

More information on the revenue and expenditure categories, as well as the financial assets and liabilities and debt, was published today in the news release 'Quarterly Accounts for the General Government Sector: Q2/2021'. It can be accessed at:

https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Quarterly-Accounts-for-General-Government.aspx

The official EDP notification tables that were transmitted to the Commission can be found in the excel version of this news release at:

https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/General-Government-Balance-and-Debt-under-the-Maastricht-Treaty.aspx

The EDP Consolidated Inventory of Sources and Methods in ESA 2010 is available on the NSO website. The document may be accessed at: http://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A2/Public_Finance/Pages/Government-Debt-and-Deficit-under-the-Maastricht-Treaty.aspx

Table 2. General Government balance and debt data

	2017	2018	2019	2020
	€ 000			
General Government surplus (+) / deficit (-)	382,782	243,394	64,310	-1,267,930
Central Government	374,056	236,927	56,373	-1,275,717
Local Government	8,726	6,467	7,937	7,787
as a % of GDP	3.2	1.9	0.5	-9.7
General Government Debt	5,703,730	5,660,412	5,718,511	6,977,503
Central Government	5,700,566	5,657,153	5,715,418	6,974,603
Local Government	3,164	3,259	3,092	2,901
as a % of GDP	47.7	43.6	40.7	53.4
GDP	11,959,402	12,979,625	14,047,607	13,054,927

Source of GDP data: News Release 156/2021 dated 27 August 2021.

Chart 1. General Government balance as a % of GDP

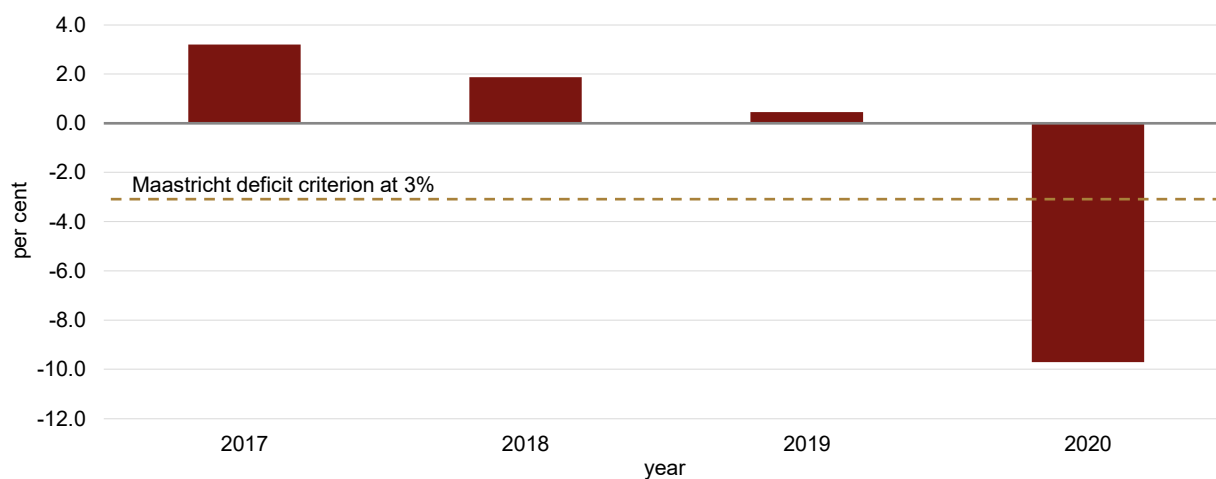


Chart 2. General Government debt as a % of GDP

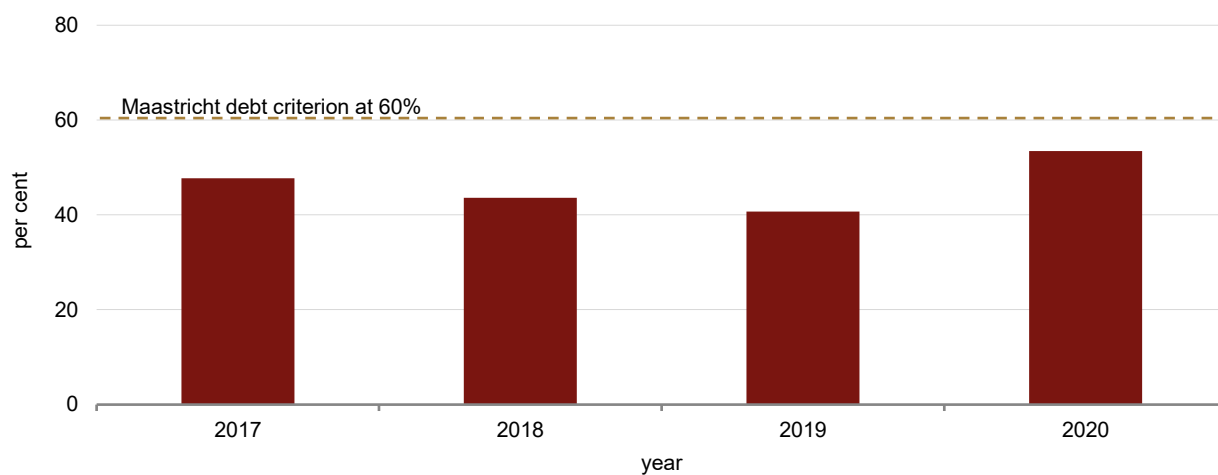


Table 3. Transition between Consolidated Fund and General Government sector

	2017	2018	2019	2020
	€ 000			
Consolidated Fund Surplus/Deficit	182,672	-70,217	9,354	-1,469,834
as a % of GDP	1.5	-0.5	0.1	-11.3
<i>Adjustments to the Consolidated Fund:</i>				
Loans, repayments (-)	0	0	0	0
Equities, acquisitions (+)	0	0	0	0
Equities, sales (-)	0	0	0	0
Other financial transactions	-11,499	0	0	0
Difference between interest paid (+) and interest accrued (-)	-350	6,938	-12,519	-41,924
Other accounts receivable (+) and payable (-)	-67,470	125,919	-56,489	172,818
Time-adjusted cash transactions	35,174	40,504	10,343	32,559
Net Lending (+) / Net Borrowing (-) of Extra Budgetary Units	201,817	174,847	128,377	63,959
<i>Other adjustments (+/-)</i>				
Treasury Clearance Fund flows in non-financial transactions	37,199	40,936	26,990	128
Sinking Fund interests' received	3,607	3,675	4,270	4,298
EFSF re-routing	-160	-71	-12	1
Equity injection	0	-62,534	-8,000	-13,020
Rerouting / PPP adjustments	-6,884	-23,023	-44,932	-23,537
Standardised guarantees	-51	-46	-40	-35
ANFA/SMP adjustment	0	0	-970	-1,130
Other	0	0	0	0
Net Lending (+) / Net Borrowing (-) of Central Government (S.1311)	374,056	236,927	56,373	-1,275,717
Net Lending (+) / Net Borrowing (-) of Local Government (S.1313)	8,726	6,467	7,937	7,787
Net Lending (+) / Net Borrowing (-) of General Government (S.13)	382,782	243,394	64,310	-1,267,930
as a % of GDP	3.2	1.9	0.5	-9.7

1. Compared to the first Excessive Deficit Procedure (EDP) notification, the Government's Consolidated Fund for 2020 has been revised as part of the Treasury Department's reconciliation process concerning the new government's accounting system, the Corporate Financial Management Solution (CFMS).
2. Acquisition of shares in international agencies.
3. Superdividend test - Dividends paid out of accumulated reserves.
4. Difference between the interest paid and accrued of the Treasury Bills, Malta Government Stocks and Foreign Loans. Includes the adjustment of the premium apportionment of the Malta Government Stocks.
5. Accruals adjustment for all the Budgetary Central Government, among which include: Treasury Department accrual templates, adjustment for EU Funds neutrality, church stock adjustment, emission trading permits, interest receivable and COVID-19 tax deferrals.
6. In line with Council Regulation 2516/2000, the method of recording of taxes and social contributions is the time-adjusted method.
7. The aggregated net lending (+) / net borrowing (-) of the extra budgetary units forming part of the Central Government Sector.
8. Rerouted operations of the European Financial Stability Facility.
9. Equity injections in relation to the Air Malta plc. restructuring exercise.
10. The aggregated net lending (+) / net borrowing (-) of the 68 local councils, 5 Regional Committees and Local Councils Association.

Table 4. Composition of stock flow adjustment

	2017	2018	2019	2020
	as a % of GDP			
General Government surplus (+) / deficit (-)	3.2	1.9	0.5	-9.7
Change in General Government debt	-0.5	-0.3	0.4	9.6
Stock flow adjustment	2.7	1.5	0.9	-0.1
<i>consisting of:</i>				
Assets - Currency and Deposits (F2)	0.8	-0.9	1.1	-1.8
Assets - Debt securities (F3)	0.0	0.6	-0.1	0.1
Assets - Loans (F4)	0.1	0.1	-0.1	-0.1
Assets - Equity and investment fund shares (F5)	0.8	0.5	0.3	0.2
Other accounts receivable / payable (F8)	1.1	1.1	-0.2	1.6
Other adjustments	-0.1	0.1	0.0	0.0

Note: Totals may not add up due to rounding.

Extra Budgetary Units as at 31 December 2020

	NACE CODE		NACE CODE
Arts Council Malta	90	Malta Government Technology Investments Ltd	84
Agency for Infrastructure Malta	71	Malta Information Technology Agency	63
Bord tal-Koperattivi	84	Malta Investment Management Co. Ltd	84
Broadcasting Authority	84	Malta Philharmonic Orchestra	90
Business First Ltd	84	Malta Resources Authority	84
Commonwealth Trade Finance Facility Ltd	64	Malta Statistics Authority	84
Community Malta Agency	84	Malta Tourism Authority	84
Court Services Agency	84	Manoel Theatre Management Committee	90
Correctional Services Agency	84	Medicines Authority	84
Depositor Compensation Scheme	64	Mental Health Services	87
Environment and Resources Authority	84	MSE (Holdings) Ltd	64
Environment Protection Fund	84	National Audit Office	84
Film Finance Malta Ltd	84	National Commission Persons with Disability	84
Fort Security Services Ltd	84	National Development and Social Fund	84
Foundation for Educational Services	84	Occupational Health and Safety Authority	84
Foundation for Medical Services	84	Office of the Ombudsman	84
Foundation for Social Welfare Services	88	Planning Authority	84
Foundation for Tomorrow's Schools	84	Projects Malta Ltd	84
Gozo Channel (Holdings) Co. Ltd	77	Projects Plus Ltd	84
Grand Harbour Regeneration Corporation	71	Property Management Services	84
Heritage Malta	91	Protection and Compensation Fund	64
House Maintenance and Embellishment Co. Ltd	41	Regulator for Energy and Water Services	84
Housing Authority	84	Residency Malta Agency	84
Identity Malta	84	Resources Support and Services Ltd	78
International Institute on Ageing	85	Safe City Malta Ltd	84
Investor Compensation Scheme	64	Sapport	88
Jobsplus	78	Selmun Palace Hotel	84
Lands Authority	84	SportMalta	93
Libyan Arab Maltese Holdings Ltd	64	St James Cavalier Creativity Centre	90
Malta College of Arts, Science and Technology	85	Superintendence of Cultural Heritage	84
Malta Communications Authority	84	The Rehabilitation Hospital Karin Grech	86
Malta Competition and Consumer Affairs Authority	84	Trade Malta Ltd	73
Malta Council for Economic and Social Development	84	University of Malta	85
Malta Council for Science and Technology	84	Transport Malta	84
Malta Enterprise Corporation	84	Valletta Cultural Agency	91
Malta Gaming Authority	84	WasteServ Malta Ltd	38
Malta Government Investments Ltd	84	Yachting Malta Ltd	73

Notes:

1. This list does not include entities which are already accounted for within the Government's accounting systems.
2. General Classification of economic activities within the European communities. Industries are grouped into 64 categories (A64) based on NACE Rev 2.

Methodological Notes

1. Within the context of the EDP compilation, Government is taken to mean the General Government (S.13 sector according to the ESA 2010 definitions). This includes the Budgetary Central Government made up of Government ministries and departments, the Extra Budgetary Units (EBUs) which are classified as forming part of this sector, as well as all the Local Councils.
2. This release presents Government deficit and debt worked out in line with the procedure defined in the Maastricht Treaty (Article 104). The basic conceptual reference framework for this exercise is the ESA 2010 Manual on Government Deficit and Debt (2019 edition); which is in turn based on the European System of National and Regional Accounts (ESA 2010). This compliance with the reference framework allows for the international comparability of the data.
3. Article 104 of the Maastricht Treaty requires Member States to avoid excessive government deficits. In this respect the Commission monitors the development of the budgetary situation and of the stock of government debt. A protocol of the Maastricht Treaty specifies the reference percentages for general government deficit (which should not exceed 3 per cent of GDP), and for the gross *nominal* consolidated debt (which should not exceed 60 per cent of GDP).
4. The Stock Flow Adjustment (SFA) is the difference between the change in the stock of Government debt and the flow of annual Government deficit/surplus. Deficits normally contribute to an increase in debt levels, while surpluses reduce them. However, the change in government debt also reflects other elements which do not appear in the surplus/deficit figures.
5. The data contained in this release may be revised. Figures may not add up due to rounding.
6. More information relating to this news release may be accessed at:
Statistical Concepts: <https://metadata.nso.gov.mt/concepts.aspx>
Metadata: <https://metadata.nso.gov.mt/reports.aspx?id=2>
Statistical Database: <https://statdb.nso.gov.mt/start>
7. References to this news release are to be cited appropriately.
8. A detailed news release calendar is available on:
https://nso.gov.mt/en/News_Releases/Release_Calendar/Pages/News-Release-Calendar.aspx

European statistics comparable to data in this News Release are available at:

[EUROSTAT Website/Homepage/Statistics Database](#)

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