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**Media Release**

# 'A Business as Usual Budget' – MEA

The Malta Employers' Association described the National budget for 2012 as a 'business as usual budget', in the sense that it contains a spread of economic and social measures affecting numerous sectors of Maltese society, but lacks any substantial initiatives to stimulate economic activity. The budget is being presented in the context of international economic uncertainty, with many industrialised economies, particularly in the Eurozone, on the brink of facing another economic recession.

On the positive side, Malta has managed to sustain a level of economic growth, at 2.6% of GDP which is higher than the EU and Eurozone average. There has been moderate success in the tourism industry, and an expansion in financial services which have sustained low levels of unemployment. The Maltese economy has shown clear signs of resilience in the face of global challenges but the warnings given by the EU make the control of the fiscal deficit a priority which the government cannot ignore, and which seriously handicaps room for fiscal maneuverability.

The budget is thus a delicate balancing act between the imperative of fiscal consolidation and a tweaking of targeted expenditure and revenues aimed at different segments of industry and the population. This is not a bad strategy in itself, as it contributes to the stability of the economy and is also, in many respects, an extension of measures introduced in previous budgets. Yet the budget does not propose bold actions that really address the country's underlying challenges. As was stated in the budget speech, government preferred not to take risks that could destabilise the economy.

On the plus side, the extension of schemes to stimulate investment by SME's and the introduction of the bank guarantee scheme; the income tax adjustments for families with children; the investment in Bio Malta campus, and the increased allocation to attract more tourists during 2012 are positive measures. The incentives to increase female participation are also welcome and MEA looks forward to discuss these further at MCESD as indicated by the Minister.

On education, MEA supports the increase in expenditure, but, as stated in its budget proposals, these have to be accompanied by audits and there is a need to re-evaluate the way in which the results of this expenditure is assessed to maximise the effectiveness of this important investment. The enhanced allocation to MCAST and University is laudable as long as this is supported with initiatives to continue to reduce the number of school leavers, while ensuring that systems like the student stipends are sustainable.

There are no direct interventions to address Malta's competitiveness. Employers will be burdened with an automatic increase of €4.66 per week COLA to all employees irrespective of the enterprise's financial situation. In the forecasted international scenario, this puts many companies at a serious risk. The budgeted allocation to Air Malta of €20m needs to be supported by strict performance indicators to guarantee that taxpayers money will return the airline to a profitable path. The discussions about the reform should be concluded as early as possible.

Basically, rather spreading limited expenditure over a wide range of targets, we would have preferred a more focused approach to prioritise issues for a better impact.