



MALTA EMPLOYERS' ASSOCIATION

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19th October 2006

Media Release

A Credible Budget – Malta Employers' Association

The Malta Employers' Association declared that the 2007 Budget is a credible one that includes various measures that are beneficial to employers and workers. The revision of the income tax bands will serve to increase disposable incomes of middle income families, and the extension of the 15% tax band will incentivise employees to work overtime rather than opt for part time employment which, in many instances, implied a lower marginal tax rate for many employees. Low income earners who are not subject to income tax will benefit from the energy benefit, amongst other measures.

The changes in N.I. contributions by part timers is an important measure to incentivise more people, specifically female workers to take up part time employment. The Association had emphasized the need for such reform in its budget proposals. This, combined with the childcare incentives should have an impact on female participation in the labour force. The substantial foreign direct investment that the economy is attracting, through the efforts of Malta Enterprise, needs to be supported by a qualified labour force, and the increased expenditure in education should focus on matching the output of students with industry needs. The economy has shown considerable resilience given that there has been a sustained real GDP growth in spite of numerous layoffs from declining industries, and rising energy costs. Another positive factor is that the unemployment has remained at a relatively low level, but there has been a significant reduction in public sector employment and an expansion in the number of jobs created in the private sector.

MEA also welcomes the initiatives related to the environment as well as the increased allocation to address the problems facing the tourism industry.

Given that the country faces substantial constraints to meet the criteria for adopting the Euro, and the fact that the economy had for numerous years suffered from chronic budget deficits that made government finances unsustainable, the 2007 budget is a welcome turnaround that should offer a mild respite to stimulate economic activity. The MEA also expressed its view that the extensive consultation before the budget, particularly with the social partners, resulted in a package that addressed the needs of different stakeholders. The Association augured that the budget measures will provide added momentum for increased economic growth and that the country will manage to control the inflation rate to acceptable levels to facilitate the adoption of the Euro in 2008.