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Media Release

MEA - Malta's acceptance in the Eurozone is an important step in its Economic History

The Malta Employers' Association stated that the fact that Malta has managed to successfully meet the conditions necessary to join the Eurozone is an important step in its economic history. This is especially the case given that three years ago, the country was quite distant from meeting these criteria, particularly the ones related to control of the fiscal deficit, inflation and the national debt. The path to meeting the convergence criteria has been far from an automatic process, considering that the country had to bear the brunt of oil price increases, and that the government had to implement measures to curb its expenditure to reduce the fiscal deficit during a period of stagnant economic growth.

These drawbacks were balanced with rapid economic restructuring that has compensated for the loss of jobs in low value added sectors of the economy through the generation of substantial foreign direct investment, plus an expansion in various sectors of the economy which, combined with a reduction in the labour complement in the public sector led to an improvement in government finances. The result has been an increase in real GDP growth in the region of 3% over the last four quarters.

Joining the Eurozone should be conducive to further economic growth. It is a trade off between greater monetary and fiscal independence in favour of enhanced economic stability through forming part of a powerful monetary union. Adopting the Euro also means that the country must have sustainable systems to remain within the criteria that were necessary for its adoption. The MEA noted that the size of the public debt, although on the decline, is still substantially above the 60% of GDP level. Economic growth is indispensable for sustainable welfare schemes and an increased expenditure on health without deterioration in the fiscal deficit. The Association also declared that the coming months will be crucial for the smooth transition to the new currency. It is in the interest of all social partners to minimise any inflationary impact resulting from this transition.

The President of the MEA, Mr. Pierre Fava, added that: *‘Malta has an ambition to modernise its economy, and the recent economic indicators demonstrate that, in spite of the many challenges involved, it has the ability and the determination to do so. The adoption of the Euro will be yet another step towards realising this ambition’.*