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Media Release

MEEA's reaction to Budget 2013

The Malta Employers' Association expressed its approval to the budget in the manner it was presented and stated that it was a positive and mature development that both sides of the house decided to vote in favour. Following a long electoral campaign during which the economy had no approved budget, this gesture sends a message of stability and sets the path for the country to get back to business as usual.

The MEA noted with satisfaction the Prime Minister's stated intention to move away from signing collective agreements on the eve of an election. This was one of the proposals that the Association included in its memorandum to political parties before the election.

The Association urged government to continue to build on the economy's strengths - which are many - and to address its weaknesses, chief among which is the chronic deficit and increasing national debt. In its memorandum to political parties, the MEA had stressed that public sector expenditure had to be subject to the fundamental objective of reducing the national debt to avoid ending up in an unsustainable situation which many other economies are being faced with. The Association agreed with the Minister of Finance's intentions to move towards growth friendly fiscal consolidation, but added that such a direction will require a solid commitment by Government, as well as the support of the social partners. The projected reduction of the deficit by an annual 0.6% in the coming years may be insufficient to get public finances on track unless backed by consistent economic growth. The Association also agreed with the Minister in his stated policy to increase the country's productive capacity to be geared to achieve higher growth targets once the eurozone economies recover. On the income tax rates, the MEA agreed to the relaxation of income tax bands only in so far as they do not contribute to a widening of the deficit. Further income taxes reductions should only be implemented after a tax elasticity exercise to gauge the fiscal impact of such reductions.