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Media Release

A Positive Budget which needs to be Supported by Longer Term Strategies - MEA

The national budget presented for 2020 is a reflection of a strong macro-economic stability, resulting from a budget surplus over the past few years, falling public debt which is expected to reach 40% of GDP in 2020, unemployment which stands at 3.5%, relatively low inflation and a robust economic growth.

There are various labour market measures that aim to increase labour participation. The preferential tax on overtime will incentivise more employees to work overtime in their own workplace in preference to part time work. The measures to increase the welfare of pensioners are commendable, but preferably might have been supplemented with stronger incentives for active ageing measure to retain pensioners in employment. The Malta Employers' Association has always expressed itself against the increase in optional leave, as Malta already has among the highest allocation of leave days in the world. The day's increase in optional leave will erode our competitiveness. The pronounced measure regarding outsourced work needs to be discussed in detail as it can create inequalities within companies.

The investment in education is important but there should be stronger evaluation that guarantees that the country is getting an adequate return on the investment in this crucial sector, combined with an intensified effort to bridge the gap between education and industry.

This level of economic activity needs to be supported by longer term strategies that ensure sustainability in the longer term, and which address the many challenges which the country faces, both economic and social. Chief amongst these is the demographic transformation which the country is going through. In spite of the low birth rate, the population is growing due the rapid influx of foreign workers which are one of the main drivers of the economic growth, but which are also partly the cause of the current development boom, traffic congestion, pollution and other undesirable effects. A balance needs to be struck between the exigencies of short term growth and long term

sustainability, as it could have adverse effects on particular sectors, such as tourism and also on the general quality of life of the general population. The budget attempts to address these challenges through numerous positive environmental measures which also require sustained long term efforts, such as the shift to electric cars. The environmental incentives are too focused on construction, with less prominence given to other economic sectors.

Another situation that needs to be addressed is the reputational damage Malta is suffering from due to the bad publicity caused by numerous scandals. Our current level of economic performance is heavily dependent on our reputation as a safe investment destination that will sustain sensitive sectors such as financial services and gaming. The issue of correspondent banks needs an urgent resolution, and the fall in placing in the competitiveness index, as shown in the Global Competitiveness Index is an eye opener that we can never be complacent about our successes. Yet the budget speech confirms this governments' attempts to break into new sectors, such as blockchain to further diversify the economy. This diversification is one of our major strengths, considering the size of our economy.