



THE MALTA CHAMBER

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Clear on social objectives, vague on wealth creation

The Malta Chamber of Commerce, Enterprise and Industry notes that an increasing portion of the Government budget is being spent on recurrent expenditure. In addition to energy subsidies, social assistance for pensioners, vulnerable persons and low-income households feature highly in the budget. This is commendable as it helps the most vulnerable strata of society to keep up in the current inflationary environment.

The flip side of heavy social expenditure is that the spend on infrastructure is inadequate especially when one considers population increases in recent years and the resultant pressures on energy distribution, waste management, and our traffic congested road network. This budget was another missed opportunity at introducing concrete measures to disincentivise private car use in congested areas and during rush hours.

There is little clarity in the budget on how Government is going to improve the productive capacity of our economy, beyond mention of a number of schemes to incentivise businesses to make digital and sustainable investments. The Malta Chamber is concerned that the emphasis on subsidies is creating a culture of dependence, and subsidies now constitute such a substantial portion of our GDP that our economic growth is being fuelled largely by subsidies. Government is relying on increases in tax revenue resulting from wage increases, most notably due to COLA, that are fully taxable since there has been no revision in the lower income tax bands, ignoring the recommendations of all social partners including The Malta Chamber.

It must be borne in mind that this budget is being presented against the background of the ongoing war in Ukraine, and a new threat to the stability of international energy prices arising from the war in Gaza with its potential for destabilisation in the oil-rich Middle East. Additionally, the claim for €100 million in relation to the failed hospitals' deal is still being contested by Vitals Global Healthcare. All the above could have a significant impact on public finances in the coming fiscal year.

The Malta Chamber is pleased to note that Government is finally considering introducing automatic enrolment in private pensions and the launch of a specialised commercial court, both of which were proposals of The Malta Chamber. Other positive developments which draw on the recommendations made by the Malta Chamber include the regulation of temping agencies, venture capital for start-ups, incentives for family businesses, schemes related to ESG for SMEs, and the use of technology for law enforcement. Government was finally bold enough to withdraw an incentive related to the purchase of property in Gozo to protect what is left of the greenbelts of Gozo and increase incentives for the renovation of properties in urban conservation areas.

This budget mentions a number of ideas that need to be explored further and developed in detail to become more tangible. As always, The Malta Chamber is eager to see more tangible proposals that will provide the required impetus for a leap in quality, higher productivity, sustainable growth and improved competitiveness of our economy.

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