



THE MALTA CHAMBER

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The Malta Chamber urges Government to focus on systematic measures against inflation and revoke price fixing

The Malta Chamber of Commerce, Enterprise and Industry reiterates its steadfast stance that the control and reduction of inflation should be the topmost priority to safeguard the competitiveness of the Maltese economy. Fiscal policies that fuel inflation by stimulating demand, coupled with a lack of preparedness for the impact of EU policies impacting transportation costs are exacerbating the situation.

As businesses continue to battle to mitigate their rising costs and stay competitive whilst consumers become more selective in their choice of purchase in view of the rising cost of living, government is planning to intervene by means of price fixing on food as a means to mitigate inflation. The Malta Chamber firmly asserts its position against such direct intervention in the market, not only as a matter of principle but also because such intervention will only stifle competition to the detriment of all. Rather than protecting the consumer, such interventions direct the consumer to purchase a highly restrictive basket of food items selected by Government. This approach, which seems more cosmetic than effective, is essentially masking and not addressing the situation. The extent to which it can be successful in reducing the prices of such items is dubious because several retail businesses already apply substantial discounts to basic items as a matter of normal business. Also, this will make other items which may be superior in quality and nutritional value relatively more expensive, thereby encouraging people to shift their consumption towards inferior products.

The approach chosen by Government to try to control inflation of food prices is regressive and reminiscent of decades ago when consumer protection came at the expense of consumer choice, and Government controlled the market instead of promoting competition through proper monitoring and regulation, and instead of allowing the market to develop and operators to openly compete according to consumer preferences.

Unwise attempts and ineffectiveness

The Malta Chamber argues that price fixing is not a viable solution to the complex issue of inflation. Such a move will not yield the desired systematic control of increasing costs because it does not address the root causes of inflation.

The inflation in imported food prices that we have seen in Malta, apart from the growing logistical costs being an island economy and spiralling wage growth as a result of the tight labour market, is similar to what has been registered in other European countries where it was fuelled largely by higher energy costs and, even more importantly in the case of food items, by dramatic increases in basic food ingredients resulting from the war in Ukraine and poor crop yields in many parts of the

world due to climate change and extreme weather events. The local subsidisation of energy and wheat does not shield us from these global impacts on imported food prices.

While some countries have toyed with similar ideas, these have been highly questionable. Such interventions fail to address the core issues and merely act as smokescreens, deflecting attention from the real economic challenges at stake.

Collaboration Solution and Government Engagement

While the local market is relatively small, there is a large variety of brands imported by a number of companies that are well equipped to handle the distribution of food items in a cost-effective way, apart from the ever-growing number of retail outlets. There is active competition between brands and retail outlets, and the Malta Competition and Consumer Affairs Authority (MCCAA) keeps a close eye on concentration to ensure that the market functions well. There are things that Government could have done to improve transparency for the consumer without meddling into price setting through the proper channels for addressing market-related issues. Responsibility for such matters lies within the remit of the MCCAA. The Malta Chamber urges MCCAA to fulfill its role effectively and transparently and ensure that market abuse, if any, is identified and addressed promptly.

The way Government negotiated the scheme is of particular concern. Market operators were contacted individually by Government and prodded into complying. The Malta Chamber immediately expressed its concerns to Government. The Malta Chamber is always open to discussing effective solutions and supportive of sensible policies. The fact that Government did not seek to find a more effective remedy with the legitimate representatives of business, or within the national forum for social dialogue, which is MCESD, is highly disappointing. The Malta Chamber insists that a unified approach will yield more effective and sustainable solutions and calls on the government to revoke this decision and start the discussion at MCESD level.

The Malta Chamber concludes by reaffirming its commitment to supporting the authorities in addressing any identified market abuse, thereby ensuring a level playing field and fully functioning competitive environment for the benefit of both the business community and consumers at large. The Malta Chamber calls for a united front in tackling such economic and social challenges and highlights the importance of collaboration between Government and the business community to foster sustainable economic growth along with the related social considerations.

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