

# Business Today



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George Bonello Dupuis

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## Budget offers little relief

### Deficit projections way off target

With Government's deficit predictions for 2008 going haywire, Finance Minister Tonio Fenech yesterday shifted the 2010 self-imposed target to have a surplus budget by one year.

In view of the impending economic recession the Minister backtracked on the previous year's predictions but still

presented a budget that targets a deficit of 1.6% or €98.8 million for 2009.

The deficit target means that Fenech's first budget as finance minister offered little relief to cushion the impact of higher utility tariffs while raising consumption taxes, namely excise duty and the eco-contribution.

Government will be collecting €15.5 million more from excise taxes on cigarettes, spirits and petrol and €9.3 million more in eco-contributions on plastic bags, conventional light bulbs and bulk printed matter.

The Minister did reduce income tax by widening all the tax bands but the extra cash in people's pockets will hardly make up for the astronomical increases in utility tariffs decided upon last week.

The much awaited car registration tax overhaul was also announced with effect from 1 January 2009. Those registering a new car during 2008 will be given the option to shift to the new registration system which will see the annual licence vary according to the car's age.

#### MEASURES

**COLA increase:** €4.08 per week

**Tourism contributions:** €0.50 c per person a day from 2010

**Revision of income tax** bands

**Car registration** tax overhaul

**Excise duty** increased on alcoholic drinks

**Cigarettes** up €0.20

**Excise duty** on petrol up €0.055, diesel up €0.02

**Eco-tax** on printed matter, plastic bags and traditional light bulbs and tubes

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## Balanced budget target postponed to 2011

### World Business Highlights

#### U.S. Manufacturing Contracts at Fastest Pace Since 1982 Amid Credit Crisis

Manufacturing in the U.S. contracted in October at the fastest pace in 26 years as a record share of banks made it tougher to get loans and faltering economies abroad eroded prospects for American exports.

#### Australian Shares Fall on Crude Decline; Japanese Stock Futures Advance

Australian shares fell after oil dropped by almost \$4 a barrel, clouding the earnings outlook for crude producers. Japanese stock futures advanced.

#### FTSE 100



#### Charlot Zahra

Government has abandoned its long-vaunted objective of achieving a balanced budget by 2010, and is instead aiming for a balanced budget the year after.

During 2008, GDP grew by 3.0 per cent as against 3.7 in 2007, a reduction of 0.7 per cent over the past year. Government is forecasting that in 2009, the growth rate would slow further down to 2.5 per cent.

Deficit this year has shot up from 1.2 per cent projected in last year's budget to 2.5 per cent.

Therefore for next year government is forecasting a deficit of 1.7 per cent as against a deficit of 0.2 per cent forecast during last year's budget speech. For 2010, government is forecasting a deficit of 0.2 per cent as against a surplus 1.0 per cent forecast in last year's budget. It will only be in 2011 that government would be able to achieve a budget surplus of 1 per cent according to the revised figures.

In 2008, government recurrent expenditure rose by €102.365 million from that estimated last

year, including €29 million more in personal emoluments for Mater Dei Hospital staff, €59 million more for programmes including Enemalta subsidies (€44 m), €4.748 million more for Mater Dei contractual services and €5.229 million more for contributions to entities.

On the other hand, government revenue decreased by €26.553 million, with the reductions coming mostly from social security receipts (€8.3 million less due to over-budgeting), licences, taxes and fines (€12.9 million less due to decrease in duty on documents), and other revenue (€24.6 million in EU grants as grants are directly related to execution of projects)

For 2009, a deficit of €98 million is projected as against a deficit of €200 million reached this year. Government expenditure next year will grow from €2.529 million this year to €2.560 million in 2009.

Recurrent expenditure will grow from €2.253 million this year to €2.302 million in 2009, while revenue will increase from €2.385 million this year to €2.551 million in 2009.



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