

Business Today

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ST Microelectronics future still in the balance

Karl Stagno-Navarra

ST Microelectronics have not yet concluded talks with government about an assistance package, but prospects are that the multinational will keep its operation in Malta, but downsize its labour force.

Finance minister Tonio Fenech yesterday reiterated government's invitation to ST Microelectronics to "continue talks" but kept a firm position as to how far the state could go in accepting the company's demands.

"It takes two to tango and I will not create a shipyard out of ST. I will not close a deal just to close a deal," Tonio Fenech told a business breakfast yesterday when asked about the state of negotiations with the company.

According to the Finance minister, the prospects were that ST would retain its operations in Malta, but he disputed claims that the company accounted for 15% of Gross Domestic Product.

He explained that ST Microelectronics was a significant contributor to exports and imports "but its main contribution to the country was its payroll and the spill-over to other companies that served it."

ST Microelectronics does not pay any tax in Malta.



ST Microelectronics plant in Kirkop

Finance Minister shoots down MEA proposal on COLA

"I don't have the money"

Karl Stagno-Navarra

Finance Minister Tonio Fenech yesterday shot down the Malta Employers Association (MEA) proposal to partly shoulder the Cost of Living Adjustment (COLA) as no money is available to fund such a proposal.

"I don't have €12 million available, and if I had, I would use it to retain jobs by directly focusing on companies which require help," Tonio Fenech said while addressing a business breakfast organized by di-ve.com.

Employers had invited government to partly cover the cost of paying an estimated €5 to €6 per week to employees in compensation for the record inflation rate incurred by the economy this year.

A recent survey among MEA's members has revealed that 74 per cent of businesses are not in a position to absorb next year's COLA increase.

20 per cent of respondents said their company would manage a COLA increase by reducing the labour force and cutting overtime, while another 25 per cent said they would increase their prices to customers. ▶ page 4

IMF insists on better budget projections, budget discipline

Charlot Zahra

The International Monetary Fund (IMF) has called on the Government to improve the quality of its budget projections through the introduction of independent forecasts.

In its final report on its 2009 visit to Malta, the IMF warned that "despite the relatively good track record until 2007, recent spending slippages underscore the need to strengthen budget execution discipline, expenditure reporting and recording, and accountability.

The authorities concurred with this assessment and pointed to "the initial steps undertaken to increase oversight of spending ministries," the IMF final report explained.

In view of this, the IMF also recommended "informing fiscal projections with independent forecasts—possibly by expanding the mandate of the National Audit Office—and securing a stronger involvement of parliament, through medium-term targets committed to in the annual budget act and strengthened accountability of the government."

The IMF proposal came in the view of the controversy that has surrounded the Government's

fiscal deficit and GDP projections made in the 2008 and 2009 budget speeches.

In the 2008 Budget Speech, Finance Minister Tonio Fenech had forecast that the Budget deficit for 2008 would have dropped by 2.0 per cent and to -1.2 per cent in 2009, and with a surplus of 0.2 per cent in 2010.

A year later, in the 2009 Budget Speech, the Finance Minister had revised substantially its Budget deficit forecast, with the Budget deficit for 2008 reaching -3.49 per cent, that for 2009 reaching 1.65 per cent and that for 2010 reaching -0.40 in 2010.

Even those forecasts were too optimistic, as both the European Commission's Spring Economic Forecasts in May and the IMF's interim report in July had revealed.

In the Spring Economic Forecasts, Malta's budget deficit was forecast at 3.6 per cent for year, falling to 3.2 per cent in 2010, just 0.2 per cent short of the threshold set by the EU.

As to the public debt figures, the EC has also forecast a growth beyond the 60 per cent limit set out by the Stability and Growth Pact, with 67.0 per cent for 2009 and 68.9 per cent for next year.

According to the IMF, the fiscal deficit was ▶ page 4

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