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BUDGET-ANALYSIS

FAITH & CONFIDENCE, PRAGMATIC INGREDIENTS TOWARDS REKINDLING ECONOMY

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KUALA LUMPUR, Oct 24 (Bernama) -- The government's move to rekindle the economy enfeebled by the regional economic crisis through the introduction of another package of economic stimulus measures in the 1999 Budget has been described by most as pragmatic and realistic in these challenging times.

With the promulgation of various tax incentives and economic measures, the government fervently hopes to set the various economic sectors in train towards a speedy economic recovery.

The measures appear to have gathered quick support and approval. For instance, the Malaysian International Chamber of Commerce and Industry (MICCI), the umbrella trade body of foreign investors in the country, said the positive signals that the economy is on the road to recovery are indeed most assuring to the business community as well as to the public at large.

In commenting on the various measures being implemented, it said they also point to the return of business and confidence as the measures reinforced the recommendations spelt out in the National Economic Recovery Plan (NERP) in July.

This endorsement of support by a key trade association, whose members comprise some of the biggest multinationals in the world, is what the authorities are hoping to bank on.

Faith and confidence are what the people should have on the government's efforts to revitalise the economy, said Prime Minister Datuk Seri Dr Mahathir Mohamad.

Their continued support is an important ingredient for economic recovery, he said in the preface of the Treasury's 1998/99 Economic Report.

"With your continued strong support, we can together look to the future with confidence," Dr Mahathir, who is also the country's first finance minister, said.

Given the negative 4.8 percent economic growth forecast for this year, the government has adopted an expansionary stance by initiating a deficit budget for next year. This is expected to bring about a modest 1.0 percent gross domestic product growth in 1999.

Dr Mahathir, in tabling the 1999 Budget on Friday, indicated that its strategy is aimed at reviving the national economy.

The strategy is also designed to insulate the economy from the contagion effects of the regional financial crisis to stabilise the financial market and the value of the ringgit.

The measures are also put in place to strengthen the resilience and competitiveness of the national economy, restructure the financial sector, improve governance in the private and public sectors, and further strengthen the balance of payments.

It is apparent that the government is bent on reviving the private sector which has been battered by the regional economic crisis. This point was driven home by Dr Mahathir at a press conference later when he said the measures are meant to facilitate the recovery of the private sector.

"We are supporting businesses in every way. We want them to make profit and we want them not to be burdened by taxes, non-performing loans and the like," he said.

The fact that the government has decided to forego income tax for 1999 demonstrated its boldness in terms of reviving the economy.

Doing away with the stamp duties and the real property gains tax

pertaining to mergers is another step towards encouraging local firms to consolidate into bigger entities to face future challenges.

Analysts said having a year of exempted taxable income would encourage individuals and companies to try and make as much money during that time and that in turn would boost the economy.

If the economy picks up, the government will collect money in the year 2000 and thus revenue to the government would not be affected, they said.

Analysts also described the soon-to-be-introduced self-assessment tax system as appropriate to a dynamic economy whose population is becoming increasingly tax-conscious.

A sum of RM65.095 billion is to be appropriated for in the 1999 Budget. This represents a reduction of 9.3 percent compared with 1998's allocation.

A sum of RM47.042 billion has been allocated for Operating Expenditure and RM18.053 billion for Development Expenditure.

With revenue estimated at RM47.160 billion, the government's overall account is expected to register a deficit of RM16.635 billion.

Out of the amount proposed for Operating Expenditure, RM24.572 billion is allocated for Grants and Fixed Payments such as debt service charges, pensions and gratuity payments, and contributions to statutory funds.

An amount of RM13.971 billion is for Emoluments, RM6.189 billion for Services and Supplies, RM460 million is provided under Assets for the purchase of office equipment and facilities, and RM1.850 billion for other expenditures including tax refunds.

From the Development Expenditure, a sum of RM7.890 billion or 43.7 percent is for the economic sector. -- BERNAMA

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