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Economists optimistic of a budget surplus

Kamarul Yunus

ECONOMISTS are optimistic that there will be a budget surplus for next year following a marked recovery in the country's economy and after three consecutive years of deficit allocations.

Metrowangsa Asset Management managing director Dr Ghazali Atan said the surplus in the budget is good news for the people and the country's economic recovery.

"The projected surplus in the budget is attributed to the increase in oil prices and the country's sound economic growth," he told Business Times.

However, Ghazali cautioned that the current weakness in the money supply and loan growth, if left unchecked, will hamper the country's economic growth.

"These are two important things that need to be looked into carefully. It would be critical if the loan growth and money supply continued to slow as it can affect the country's economy," he said.

He said the banks should be given a breathing space between six and seven months, especially after the institutions completed the restructuring exercise, to return to their normal pace of loan growth.

He was asked to comment on Prime Minister Datuk Seri Dr Mahathir Mohamad's statement on Tuesday that the Government expects a surplus budget for next year as the country's economy has performed very well.

Describing the new budget as a "good" one, Dr Mahathir had said the country has earned sufficient money to allow it to have a surplus.

"I think we have done very well this year. We hope to achieve a surplus budget. But if we can't, it won't be too bad," he had said.

A surplus budget for 2001 will end three years of deficit allocations amid efforts to recover from the effects of the Asian economic crisis in 1997-1998.

Prior to that, the Government had run a budgetary surplus from 1993 to 1997, until the economy contracted by 7.4 per cent in 1998.

A budget surplus would improve the chances of no new taxes or rises in existing ones for both consumers and businesses, while the Government's borrowing requirements may also ease.

Another economist said the budgetary surplus for next year came as no surprise, owing to the tremendous economic growth for the first half of this year.

Malaysia registered a 10.3 per cent growth for the January-June period this year.

The economist said his optimism was based on several factors such as increase in oil prices, individual and corporate taxes as well as sales of property picking up.

"Sales from corporate taxes are picking up as the companies are making profits. Individual taxes are also on the increase and property sales are now showing signs of improving. This had led to an increase in revenues from stamp duties," he said.

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