

27/09/2000

Surplus budget for 2001 likely: Dr M

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THE Government expects a surplus budget for next year as the country's economy has performed very well, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

Describing the new budget as a "good" one, Dr Mahathir 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 we can achieve a surplus budget. But if we can't, it won't be too bad," he told a media conference after opening the Kedah Trade Centre in Kuala Lumpur yesterday.

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 1997-98.

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 rise in existing ones for both consumers and businesses, while the Government's borrowing requirements may also ease.

Economists have said gross domestic product growth this year should easily exceed the official estimate of 5.8 per cent, with the economy having expanded 10.3 per cent year-on-year in the first half. For 2001, the economy has been forecast to grow by 7.5 or 8 per cent.

Finance Minister Tun Daim Zainuddin will table the 2001 budget in Parliament on October 27.

Dr Mahathir said indications are there will be continued expansion in economic activities.

"I think it (the economy) will grow as the signs are good.

"Trade has gone up quite a lot, the movement of containers has increased... more ships are coming here now to pick up and unload containers.

"So, the general picture is very good (and) we hope that this will be able to continue," he said.

On the stock market, the Prime Minister said it is normal for share prices to go up and down, but the Government will look into the causes of the current weak trading conditions on the Kuala Lumpur Stock Exchange (KLSE).

The benchmark KLSE Composite Index is hovering at the 730-point level, after peaking at 1,013.27 on February 18. It closed barely changed at 735.54 yesterday.

"I don't know whether it is the 10 per cent levy (on repatriation of profits)... we want to know the real cause.

"If we can be certain that the removal (of exit levy) will stimulate investment, yes," he said when asked whether the Government will consider lifting the levy which is imposed on repatriated profits derived from equity investments.

In any case, the 10 per cent levy is very minimal, Dr Mahathir said.

"I think people who come to our country to make money must surely have to pay us something. This is a very minimal charge."

Other countries, including developed ones, impose taxes on capital gains, while Malaysia does not, he pointed out.

"If we have no tax on capital gains, no tax on dividends, no tax on anything at all and people come in with their money, they invest here, make a lot of money and then they take out the money, we'll get nothing.

"If suddenly they decide to pull out altogether, our economy will collapse. So, we we are taking a lot of risk," Dr Mahathir said.

Stock market players and foreign fund managers believe that the abolition of the exit levy will attract more foreign investors to the local stock market.

The exit levy was part of the selective capital controls introduced by the Government in 1998 to stabilise the nation's currency and financial markets in the face of the Asian financial crisis.

Most of the controls have since been rolled back.

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