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BUDGET-PRESS CONFERENCE

BULK OF 2002 GROWTH FROM DOMESTIC STIMULANTS, SAYS DR MAHATHIR

KUALA LUMPUR, Oct 19 (Bernama) -- The government hopes to see domestic stimulants such as the increased spending power to contribute towards the bulk of the four to five percent economic growth projected for next year, said Prime Minister Datuk Seri Dr Mahathir Mohamad today.

Speaking to newsmen after tabling the 2002 Budget at the Dewan Rakyat here, he said, "Our main stress is (the) domestic (economy) contributing towards the Gross Domestic Product and not from external sources. We think we can do that especially now we are putting more money into circulation."

For next year's budget, individual income tax is to be cut by one percent to 28 percent, the taxable income bracket is to be raised and civil servants will receive a 10 percent pay hike and half a month bonus or at least RM1,000.

Dr Mahathir, who is also the finance minister, said as much as possible the government wanted economic growth for next year to be insulated from adverse external factors.

On the absence of a reduction in the corporate tax, the prime minister said, "We have been lowering the tax from 45 percent to 28 percent and we don't have any tax on dividends Other countries have it. In addition to that we have other perks, which will benefit the corporate sector."

Asked why no fresh government spending (for infrastructure projects) was announced in the budget, he said there was a limit to what the government could spend.

He said the government could not "spend too much" so as not to overstretch its financial position.

While no big projects were announced, Dr Mahathir said small projects were included in the budget.

Dr Mahathir was also asked whether more stimulus economic packages would be introduced in the future after a RM3 billion package was announced in March and another totalling RM4.3 billion in September.

"The budget is a yearly affair but there is no reason why during a year we can't add or subtract or do whatever. If we find anything necessary that needs to be done, we will do it," he replied.

As to whether more economic measures would be undertaken if the economy deteriorated, Dr Mahathir said the government would study what it could do should that happened.

To a question, he said next year's budget would be financed through domestic sources as there were sufficient funds locally, including about RM80 billion in the banking system.

"There is no need to borrow from outside (sources)," he explained.

A total of RM100.52 billion would be allocated for the 2002 Budget, up by 10.4 percent from the 2001 allocation.

To another question, he said the government would raise money from sovereign bonds if there was a need to do so.

"At the moment, no. Next year we'll see whether we need to. It depends on the collection of taxes," he said.

Asked whether the current level of interest rates would be further reduced, Dr Mahathir said at between six and seven percent, the rates were already low.

The current rates were attractive enough for businesses and encouraging enough for the people to save, he said.

As to when he would name a new finance minister, he said, "It (the

matter) doesn't come to me yet." -- BERNAMA
MAD SHY