

# Second-guessing

THE EDGE 16 SEP 2002

**W**ill Budget 2003, to be tabled by Prime Minister Datuk Seri Dr Mahathir Mohamad on Sept 20, be filled with surprises? What is in store for the man in the street? Will it be a consumer- or business-friendly budget? Or, as many have speculated, one that will have enough goodies and be seen as an election budget?

It's difficult to second-guess the prime minister but according to *The Edge's* economist barometer, Budget 2003 is expected to be expansionary, putting more money into the people's pockets and making the business environment more conducive to the private sector as well as foreign investors.

Findings from our September poll of six economists in Malaysia and Singapore show that they expect another deficit budget, making it the sixth in a row. Can the government continue to spend more than it earns? Yes, says our poll and the economists do not foresee this to be a problem as the deficit has in actual fact been decreasing over the years and is still within the government's financial means.

Many expect a budget deficit of 3.0 to 4.0 per cent of the gross domestic product, which is considered manageable, but this means less aggressive pump-priming exercises compared with the past two Budgets. The government may be trimming down spending, especially on infrastructure projects, but it is still expected to dish out enough incentives to keep the business community and consumers happy.

*The Edge's* poll indicated that Budget 2003's goodies could include a reduction in both corporate and personal income tax. Five of the six economists polled expect Dr Mahathir, who is also the finance minister, to announce a corporate tax cut of between 1.0 and 2.0 per cent. This is to bring Malaysia's corporate tax structure in line with the region's.

*The Edge's* economist barometer is part of this week's four-page (from Page 69) pre-Budget special report. It also contains the private sector's wish list and includes the incentives needed to make Malaysia remain attractive for foreign direct investment (FDI).

We also feature an article written by Jennifer Chang, executive director of tax and

business consulting services at PricewaterhouseCoopers Malaysia. She compares how Malaysia will stack up against Singapore's tax regime, which has improved further under new incentives announced in the country's Budget for w2003 in May. Singapore has announced sweeping changes to its tax regime to restructure its economy, prepare for the

## this year's Budget

challenges of globalisation and continue attracting FDI.

Our columnist Dr Nungsari A Radhi, an economist with World Enterprise Institute (a private, independent research and management development institute), says the budget should contain a growth strategy that looks beyond FDI. As important as these invest-

ments have been, our country can no longer depend on FDI-based manufacturing to generate jobs. We need to graduate to an economic base of higher productivity for our manufacturing sector.

We can continue to have our wish list but on Friday, Dr Mahathir will have the last say. **E**