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KLCS-BUDGET

KL CITY SECURITIES APPLAUDS BUDGET STRATEGIES AND MEASURES

KUALA LUMPUR, Sept 23 (Bernama) -- Anchor stockbroking firm Kuala Lumpur City Securities Sdn Bhd (KLCS) has applauded the strategies and measures put forth in the 2003 Budget, terming it as a paradigm shift in the engine of growth.

The firm's report on market strategy pertaining to the new Budget, tabled by Prime Minister Datuk Seri Dr Mahathir Mohamad in Dewan Rakyat last Friday, was released to its clients today.

It noted that "much thought was put to strike a balance between ensuring sufficient development growth but yet not compromising on the government's financial position."

The four-fold strategic thrusts of the Budget included an increase in domestic investment in all sectors with growth potentials and identifying and venturing into niche areas in the services, agriculture and manufacturing sectors.

It also looked at strengthening the public sector finance and enhancing efficiency of the civil service and nurturing a progressive and harmonious society with high moral values and ensuring the well-being of Malaysians, especially in rural areas.

KLCS said that more importantly, the still expansionary budget, at a moderating level, underscores the government's commitment to gradually scale down its fiscal deficits without putting unnecessary burden on corporations and people via higher taxes.

"On the contrary, in view of the growing volatility in global trade (especially in the US), the government has initiated longer term plans to accelerate domestic activities so as to buffer the country's economy from being too reliant on trade."

It added that the Budget was indeed, a painless and people friendly one which addresses longer term growth strategy.

The firm noted that while it may not look like a Budget for big corporations and foreign direct investments (FDIs), "as there is no cut in corporate tax, it is by no means corporate unfriendly".

Firstly, incentives alone do not guarantee greater investment activities by corporate since demand and supply dynamics of the respective fields exercise greater influence, it said.

Secondly, as for FDIs, tax incentive alone is not the greatest factor in attracting FDIs but nurturing a more skilled work force (ICT) via better education and having sound supporting SMI industries are equally important, if not more, it added.

KLCS stressed that at a glance, the Budget may appear to be short of many of the anticipated micro measures but there was no lacking in focus on the part of the government and statements in the Budget speech strongly suggest a shift in the government's growth strategies going forward.

"Accelerate domestic economic activities in addition to expanding international trade."

KLCS noted that it was not surprising that this was yet another year of expansionary budget, in fact the sixth since the 97-98 financial crisis, and remained supportive of growth.

"Funding for the deficit, in our view, is not an issue because the federal government's debt level is still manageable and is largely sourced domestically.

"Also, public debts as a percent of Gross Domestic Product was roughly

70-80 percent in the early 90s. There is certainly still plenty of room to source for both external and domestic funding."

On balance, KLCS feels the government has exercised strong fiscal prudence and has again demonstrated its commitment to gradually bring down the deficits by 2005.

This should help alleviate potential criticism on the part of the government on "lavish spending", it added. -- BERNAMA

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