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RM5.6b budget deficit in first half of 2002

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MALAYSIA recorded a budget deficit of RM5.6 billion in the first half of this year, or 30.1 per cent of the RM18.6 billion budgeted for the year.

Singapore-based IDEAGlobal regional economist Paul Schymyck said that the deficit means Malaysia has scaled back on its spending as its economy grows again.

"Malaysia's economy is turning around and has been forecast to be at about 4 per cent this year," he told Business Times in a telephone interview.

During the previous budget, the economy was sluggish at 0.4 per cent; hence, the need for the Government to spend more than.

According to a Bank Negara Malaysia report posted on its website, Malaysia's revenue totalled RM36.7 billion, or almost 50 per cent of the money allocated for the year.

Malaysia spent RM42.3 billion, less than 50 per cent of the RM92 billion allocated and 19 per cent more than a year earlier.

Bank Negara expects the deficit to be at around 5 per cent by the year-end from last year's 6 per cent.

Malaysia has been recording budget deficits for the last five years.

In September last year, the Government announced a RM4.3 billion stimulus package on top of a RM3 billion programme introduced in March.

Prime Minister Datuk Seri Dr Mahathir Mohamad had said earlier this year that Malaysia already has a supplementary budget in 2002, and that this will result in an increase in the deficit for next year.

Dr Mahathir added, however, that it would be contained below 6 per cent of the gross national product.

"The financial markets are more comfortable with a smaller deficit as it usually indicates good exports, car sales and properties," an economist said.

The economist expects Malaysia's budget deficit to be smaller than last year's 6 per cent.

Another economist said it is no surprise that Malaysia is posting budget deficits, and should be worried when there is a budget surplus.

"This year's deficit should be about the same as last year's due to uncertainties over the world's economic health," he said.