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BUDGET-DBS

MALAYSIA'S BUDGET DEFICIT OF 3.3 PCT ATTAINABLE, SAYS DBS BANK

SINGAPORE, Sept 13 (Bernama) -- Malaysia's 2004 Budget deficit of 3.3 percent is attainable, given its ability to raise revenue and manage spending better, says DBS Bank research analyst, Wong Chee Seng.

He was responding to the budget tabled by Prime Minister Datuk Seri Dr Mahathir Mohamad in Parliament yesterday.

The Finance Ministry of Malaysia had forecasted a 3.3 percent deficit of gross domestic product (GDP) in next year's budget from the 5.4 percent expected this year, by trimming 21.3 percent in development expenditure.

"We were right in arguing that Dr Mahathir was unlikely to splurge on an over-priced last supper that will leave big holes in the next government's focus," he said in a statement today.

The bank also reiterated its earlier expectations that 2004 would be a good year for businesses, enhanced competitiveness, and diversified economic structure, noting that five out of seven of its business propositions came through.

Wong said while corporate tax rate remained at 28 percent, the government's option for specific tax exemptions or incentives "was testimony to its preference for piecemeal rather than broad-based relief."

The bank said it was delighted with the Malaysian government's handouts to consumers, such as half-month bonus to civil servants, and tax-exempted 'Merdeka' bonds, to keep private consumption growing above trend.

It also concurred with the Malaysian government's real GDP forecast of 5.5 to 6.0 percent in 2004, with turnaround in private investment supported by an undervalued ringgit peg and a better global environment.

"We believe 2004 will be a doorway to fortune with assets reaching new recovery highs, thanks to a smooth change in political leadership in October. This will add to the recent large number of events that enhanced Dr Mahathir's political legacy," DBS said.

The Finance Ministry has forecasted real GDP growth at 5.5 to 6.0 percent for next year compared to 4.5 percent this year and 4.1 percent last year.

Meanwhile, the Malaysian government's new plans for Johor as part of the country's target of becoming a regional financial centre, is seen as a move that could challenge Singapore's position as the region's leading shipping and logistics centre.

"The Johor and Labuan announcement adds to the package that will give Singapore a run for its money," Azrul Azwar, an economist at MIDF Sisma Securities, told Singapore Straits Times in Kuala Lumpur yesterday.

The Malaysian government will now allow offshore companies operating in Labuan, to establish marketing offices in Johor Baharu, which the Prime Minister said was rapidly developing with an increasing number of multinationals which had already relocated their operations there.

Dr Mahathir, who is also the Finance Minister, said the plan would complement the government's efforts to turn the Port of Tanjung Pelepas (PTP) and Senai Airport into an international logistics hub.

BMW recently set up its regional logistics centre in PTP, which is also home to shipping giants, Danish firm Maersk Sealand and Taiwan's Evergreen Marine.

The Port of Singapore Authority (PSA) lost Maersk and Evergreen to PTP in 2000 due to lower costs and an offer for Maersk to acquire a 30 per cent stake in the new port. -- BERNAMA

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