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Excess liquidity to help finance stimulus package

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MALAYSIA will have no problem financing the RM7.3 billion package to stimulate the economy from the excess liquidity in the domestic financial market.

Bankers said, however, the Government has the option to raise part of the money via sovereign bonds even though Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday the Government had no immediate plans to raise money from abroad to part-finance the package.

"It is still too early to point the Government's strategy as the situation remains fluid.

"In addition, the strategy will involve the Government's economic strategy that will likely look at the excess liquidity situation as well as on the international front," said a bond trader.

If the Government were to decide to borrow from abroad, the amount will likely be in the region of US\$1 billion (US\$1 = RM3.80) and likely to involve an Islamic issue.

According to the investment fraternity, the Government is likely to finance the bulk of the stimulus budget through Malaysian Government Securities (MGS) so as not to be overly reliant on foreign debt.

In the first quarter of this year, the Government did a private placement of MGS to the Employee Provident Fund worth RM14.1 billion and had recently issued another worth RM2 billion. The Government is expected issue another RM3 billion in June.

Out of the RM7.3 billion, some RM1.7 billion will come from the Federal Budget, RM2 billion from Bank Negara Malaysia, and RM3.6 billion to come from development financial institutions.