

When will the next general election happen?

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With another state poll looming in Malaysia, local and international media are speculating that national polls could come as early as March. But it is unlikely Prime Minister Najib Abdul Razak will take such a risky gamble.

The BN coalition that Najib leads has ruled this Southeast Asian country since independence from Britain in 1957 but was hit by record polls losses in 2008, unnerving markets.

Near-record commodity prices, recent by-election wins and a 7 percent economic growth in 2010 and the prospect of 5.2 percent growth this year, according to a Reuters poll, have boosted the chance of success for BN in polls that need to be held by 2013.

What will happen before polls are announced?

* Najib will go on a nationwide tour that will start soon, to oversee the ruling coalition's preparations for elections.

* A Cabinet reshuffle, expected soon as Najib tries to ensure that his key voter pledges, from reducing crime to improving urban transportation are delivered before polls.

* State-wide elections in Sarawak, due by June this year though widely expected as early as end March. A poor showing by BN will cause Najib to delay national elections well into 2012.

* A "pre-election" 2012 budget that Najib will table sometime in the third quarter of this year. Key will be how Najib balances pump priming with his pledge to cut the fiscal deficit. It hit a 20-year high of 7 percent of GDP in 2009 before being cut to 5.6 percent in 2010 and is projected to be 5.4 percent this year.

* Meetings between Najib and leading officials from his party and coalition, where he will decide on the list of election candidates. These meetings, which have not taken place, will signal that polls are imminent.

Why is timing important for investors?

* A pre-election market rally. Malaysia's stock market, dominated by government-owned funds, has traditionally risen for two to three months prior to a general election.

Foreign ownership of stocks is low at 21.9 percent as of December, and stocks that tend to benefit from this pre-election rally are those with high government ownership.

* They include Malayan Banking, property developer UEM Land Holdings lender CIMB Group Holdings conglomerate MMC Corp and plantation-to-power firm Sime Darby

* Rollout of major infrastructure projects to spur the economy and boost voter confidence. Key will be the start of Malaysia's largest ever infrastructure project, an

US\$11.5 billion (RM36 billion) Mass Rapid Transit, and a controversial US\$1.6 billion (RM4.8 billion) 100-storey office tower in the capital.

* BN's loss of its two-thirds majority in parliament and control in five states - its worst ever electoral performance - led to a 9.5 percent daily drop in the benchmark stock index . A failure by Najib to regain two-thirds majority and wrest at least two of the five states could trigger a similar market reaction.

* The last state election in Sarawak in 2006, which saw the opposition increase its tally in the 71-seat state legislature to eight from two, led to a two percent drop in the stock market.

What could go wrong for Najib?

Sarawak is Najib's biggest present worry. Minority ethnic discontent could in a worst case scenario contribute to a loss of the coalition's two-thirds control in the state legislature.

This would increase pressure on the state's long serving chief minister Abdul Taib Mahmud, 74, to retire, possibly creating a political vacuum in the state.

A sustained rise in crude oil prices above US\$100 (RM305.2) a barrel will add pressure to the government to cut fuel subsidies further, risking a political backlash.

Bank of America Merrill Lynch said in a research note that Malaysia's highest tolerable oil price ranges between US\$120 and US\$130 a barrel. US crude is at US\$86.40 (RM263.7) a barrel.

A recent opinion poll has shown Najib enjoying significant support from majority ethnic Malays who make up 55 percent of the country's 28 million population, with a 74 percent approval rating.

The approval rating for Najib from minority ethnic Chinese voters, who make up 28 percent of the population and who dominate much of the country's commerce, is mixed at 54 percent.

Najib has pledged to reach out to all ethnic communities but a failure to regain the Chinese vote will make his aim of reversing the coalition's 2008 polls losses - driven in part by minority discontent - much harder.

The trial of opposition leader Anwar Ibrahim for sodomy could see a verdict this year. Anwar spent nearly six years in prison for a 1999 conviction for sodomy which he denied and which was later overturned by the country's top court.

A contested decision in the case which the former deputy prime minister says is a repeat of a political conspiracy could anger his supporters and cause a spike in political tensions.

- Reuters