

## **Najib in polls gamble as economy weakens**

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Prime Minister Najib Abdul Razak will likely press ahead with snap polls by early 2012, banking on government handouts and moderating inflation to soothe worries about the economy but a possible global recession could jeopardise his chances.

Europe's debt crisis and an anaemic US economy have reined in price pressures, the biggest worry among Malaysian voters, but also triggered fears about job security and the general outlook for the trade-reliant economy.

The government's coffers have been bolstered by a strong run in commodity prices, enabling Najib to dole out cash payouts to farmers and civil servants and provide affordable housing and healthcare to the poor to tackle the rising cost of living.

"The government has started to address inflation concerns of the electorate but the measures taken so far are spread too thin to have an impact on swaying support," said Ibrahim Suffian, director of the independent opinion outfit Merdeka Centre.

"For the key constituents and undecided voters in the lower to middle income groups, a broader improvement of the national economic climate will still be needed for the government to feel a positive impact," said Ibrahim.

The next general election is only due in 2013 but the recent handouts coupled with moves to reform an unpopular security law have fuelled talk that Najib is gearing up for early polls to pre-empt any further fallout from the deteriorating economic outlook.

Najib needs to reverse his ruling coalition's poor showing in a 2008 general election but his approval ratings have fallen over the past year amid rising prices, widening religious discontent and anger over the slow pace of promised reforms.

### **Budget goodies**

The government is also expected to unveil further measures in the federal budget on Oct 7 to boost spending, including a civil service salary hike, food stamps, cash vouchers for utilities and personal income tax cuts.

An increase in spending would be possible as government revenues are expected to total US\$65 billion this year, about a quarter more than earlier projected thanks to higher energy prices and better tax collection, Citigroup said.

Since taking office in April 2009, Najib has steered economic growth to a 10-year high in 2010 but annual inflation touched a 27-month high of 3.5 percent in June this year, hitting consumers' pockets.

Price pressures have since moderated although a survey by the Merdeka Centre in August showed that inflation and the growth outlook remained the chief concerns of Malaysians.

Still, it could get worse for Najib if he were to wait further before calling for polls, some analysts said.

Malaysia's economic growth has been slowing slightly though it remains healthy, but some analysts expect growth to brake sharply this year as difficult global conditions erode demand for its exports.

## **Global downturn**

Exports accounted for 89 percent of Malaysian gross domestic product last year.

Malaysia's economic growth is officially expected to moderate this year to at least 5 percent from a 10-year high of 7.2 percent in 2010, as global demand softens.

Some economists have cut their 2011 growth projections on concern that the global financial market turmoil would hit Malaysia's economy.

The most direct impact of a sudden and sharp global downturn on Malaysia's economy would be through a weakening of domestic consumption and investment, said Kun Lung Wu, economist at Credit Suisse in Singapore.

A global downturn could also lead to a prolonged fall in global oil prices that would reduce the government's revenues, of which nearly half comes from state oil firm Petronas, affecting the government's own investment plans.

"While there is some breathing space for the government on the inflation and fiscal front in the near term, growth concerns could dominate and likely become a bigger (political) issue than inflation," Wu said.

- Reuters

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