

Guan Eng: Najib relies on loans to fund budget
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Running down Budget 2012, Penang Chief Minister Lim Guan Eng says that it relies on deficit spending to buy votes.

Unlike Prime Minister Najib Abdul Razak's 'election' budget, Lim said, the Pakatan Rakyat governments fund cash aid to the poor from surplus budgets.

While providing cash aid to the poor and Malaysians was welcome, he said, questions have been raised as to where the federal government was going to find the money.

He noted that Petronas was expected to contribute only RM28 billion next year, or RM2 billion less in dividends as compared with this year.

NONE "The numbers just do not add up, but the federal government still expects revenue to increase from RM183 billion this year to RM186 billion next year, despite the lower dividend payments from Petronas," said Lim.

He noted that many economists have warned that the federal budget risked committing the country to the path of unsustainable spending.

This should not come at a time when the global economic outlook appeared to be in recession, he stressed.

"Najib's budget relies on loans to give money to the people, which still has to be repaid by the people," the DAP secretary-general said in a statement, describing it as an election budget "clearly designed to please voters".

He said the DAP does not find any measure to combat corruption or plug leakages in the budget so that more resources could be released for public benefit.

Household debts very worrying

For this reason, he said, the federal government's target of reducing the budget deficit from RM45.5 billion this year to RM43 billion next year was "unlikely to be reached".

Revenue collection was overly optimistic and might result in higher federal government debts to fund the deficit spending.

More worrying, he added, was Bank Negara's 2010 Annual Report, which revealed that Malaysia's household debt at the end of last year was RM581 billion - or 76 percent of the GDP.

This puts the country at the second-highest level for household debt in Asia, after South Korea.

The Malaysian household debt service ratio was 47.8 percent in 2010, meaning that almost half of the income of the average household went into debt repayment.

"Clearly, Malaysians are becoming an indebted nation, with the government leading the way by giving the people money from borrowings," he said.

The one essential difference between the BN and Pakatan state governments, Lim said, was that Pakatan did not use borrowed funds to give money to the people, since ultimately, the people still had to pay for borrowings by the state.

"Pakatan state governments give money from budget surpluses, which the people or their children are not required to repay," he added.

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