

Najib to unveil new RM35bil stimulus plan
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The federal government will be unveiling a second stimulus plan worth up to RM35 billion in a bid to prevent its export-driven economy sliding into recession, a government official said.

Deputy Prime Minister and Finance Minister Najib Abdul Razak, who is expected to take over as prime minister next month, would announce details of the ambitious strategy in Parliament on Tuesday, a government official familiar with the plan told AFP at the weekend.

"The government wants to ensure growth. We want to prevent the country from slipping into a recession," he said, speaking on condition of anonymity.

"It could be between RM25 billion and RM35 billion. It is inclusive of everything, including tax cuts," he said.

Last month, the government said 13,000 Malaysians lost their jobs due to the global slump. There has also been bad news from the manufacturing sector.

Malaysia's January exports plunged 27.8 per cent year-on-year, hitting their lowest level since 2001 amid falling demand from key trading partners.

Official data released last month showed economic growth slowed to just 0.1 per cent in the fourth quarter of 2008, hit by falling exports and manufacturing as demand evaporated.

Malaysia unveiled its first RM7.4 billion stimulus package last year.

The second stimulus package would include RM10 billion in spending announced last week, the government official said. "The new package will be comprehensive and will include all sectors," he added.

'Arrest job losses & create jobs'

He said the plan was being fine-tuned and would include training programmes for the unemployed along with individual and corporate tax cuts to help mitigate the worst effects of the crisis.

"The stimulus plan is to ensure growth and create job opportunities. Our biggest concern is unemployment and retrenchment," he added.

Mohamed Ariff Abdul Kareem, head of the influential Malaysian Institute of Economic Research told AFP that the government must ensure the money was spent effectively to ensure growth of at least 0.5 percent in 2009.

"It is not how much you spend. It is how best you do it," he warned. "You have to be transparent as to where the money is going," he said.

Mohamed Ariff said the plan "must arrest job losses and create jobs otherwise the economy will go down spiralling".

"People will not be able to spend and will not be able to repay their loans if they are unemployed," he added.

He warned that since the domestic economy was small, Malaysia could not escape the impact of the global recession. "No matter how big the stimulus plan is, we can only help cushion the pain, it cannot offset it," he said.

Mohamed Ariff said the government should focus on the poor by handing out spending vouchers to spur consumption.

"Anything short of RM35 billion, we can see a full blown recession in 2009. And in the absence of the stimulus plan, (growth) could be as low as minus 3.8 percent," he said.

The government has already acknowledged it may have to abandon its 3.5 percent growth forecast for 2009.

Wan Suhaimi Saidi, economist with Kenanga Investment Bank, warned that a contraction was a distinct possibility.

"We may go through a technical recession in the first half of 2009," he told AFP. "We are facing a slowdown. Unemployment is rising. Consumer demand and commodity prices are also falling.

"It could take as long as 18 months to see signs of recovery in the global economy," he added.