

BN's 2012 Budget Relies On Deficit Spending And Borrowed Loans To Give Money To The People
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Whilst giving out cash aid to the poor and Malaysians are welcome, questions are raised as to where the Federal government is going to find the money, when even Petronas is expected to contribute only RM28 billion next year or RM2 billion in dividends less as compared to 2011.

The numbers just do not add up when the Federal government still expects revenues to increase from RM183 billion this year to RM186 billion next year despite the lower dividend payments from Petronas.

Unlike PR state government that funds cash aid to the poor from a surplus budget, BN's 2012 Election budget relies on deficit spending to buy votes.

Many economists have warned that the 2012 Budget risks committing the country to the path of unsustainable spending at a time when the global economic outlook appears to be a recession.

Dr Marie-Aimee Tourres, a senior research fellow at the faculty of economics and administration at the University of Malaya, said that the budget's "goodie strategy" was not linked to any productivity commitment. Clearly this Election Budget is designed to please voters. At the same time, DAP does not find any measures to combat corruption or plug leakages so that resources can be released for public benefit.

For this reason, the Federal government's target of reducing the budget deficit from RM45.5 billion this year to RM43 billion in 2012 or 5.4% to 4.7% of GDP is unlikely to be reached.

Revenue collection is overly optimistic and may result in higher federal government debt to fund the deficit spending.

The Federal government debt to GDP(Gross Domestic Product) ratio has increased yearly from 53.1% in 2010, 53.8% in 2011 and 54.8% in 2012. Federal government debt rose by 12% in 2011 to RM456 billion from RM407 billion in 2010.

To ensure debt sustainability, the Federal government has imposed a 55% ratio to GDP rule. This 54.8% ratio to GDP by 2012 hovers dangerously close to the 55% Federal government debt to GDP rule.

More worryingly, Bank Negara's Annual Report 2010 revealed that Malaysia's household debt at end of 2010 was RM 581 billion or 76 per cent of GDP. Malaysia has the second-highest level of household debt in Asia, after South Korea.

The Malaysian household debt service ratio was 47.8 per cent in 2010 or almost half of a household's income goes to repaying debts. A debt service ratio of more than 33% would be considered unhealthy.

As a rule banks would not lend money to those whose total servicing of interest exceed one third of their income. Clearly Malaysians are becoming an indebted nation with the Malaysian government leading the way by giving the people money from borrowed loans.

This is one essential difference between BN and PR state governments. PR does not give money to the people from borrowed money, which ultimately has still to be paid by the people.

PR state governments give money from budget surpluses where the people or their children are not required to repay back in future.

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