Save Malaysia From Bankruptcy
MalaysianMirror.com
11 January 2012
Lim Guan Eng

Malaysia will become a fully indebted nation before the end of the decade at the current rate of massive borrowing and irresponsible spending by the BN Government.

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. This is extremely alarming and nearly touching the national debt ceiling of 55%.

According to Malaysian Institute of Economic Research (MIER) fellow Mohd Ariff Abdul Kareem, if the Federal Government continues to borrow at the current rate, our debt to GDP ratio will be 100% of GDP by 2019!

In absolute terms, Federal Government debt rose by 71% in 4 years to RM456 billion at end 2011 from RM266 billion at end 2007. At the same rate of expansion, our national debt will be RM780 billion by 2016, and RM1.3 trillion by 2020.

Mohd Ariff also noted that what is more worrying is that our rate of borrowing is far outpacing our economic growth, so much so that he was quoted as saying, "If nothing is done to reverse the current trends in government expenditures and revenues, extrapolation suggests that Malaysia's national debt will explode to 100 per cent of GDP by 2019."

This is extremely dangerous, and even more disastrous when coupled with statistics from Bank Negara's Annual Report 2010, which revealed that Malaysia's household debt at the end of 2010 was RM 581 billion or 76% of GDP, thus giving us the dubious honour of having the second-highest level of household debt in Asia, after South Korea. In addition, the Malaysian household debt service ratio stood at 47.8 per cent in 2010, meaning that nearly half of the average family's income goes to repaying debts.

Not only are Malaysians debt-laden, cost of goods are also skyrocketing while income and salaries have stagnated. While infant milk powder has risen by nearly 50% in recent times, other basic commodities have also gone up by leaps and bounds, such as:

1. Sugar: RM1.45/kg (Jan 2010) to RM2.30 (May 2011) - 58% in 18 months.

2. Eggs: B grade RM9/30eggs (sept 2010) RM10/30eggs (now).

3. Electricity tariff: average increase of 7.12% in June 2011.

4. The tarik and kopi susu: increase RM0.10 to RM0.20 (9.1% to 18.2%.

5. Gardenia bread: 5%-14% hike (2011).

6. Service tax increase 1%: additional RM720 million in taxes to Federal Government.

7. Onions: price up 17% (Dec 2010).

8. Milo: up 5% 1st half 2011; 4% 2nd half 2011.

9. Nescafe: price went up further 6% in 2nd half 2011, when price is already >RM20 per 300gm

10. Favorite food items like roti canai, char koay teow and nasi kandar have become smaller even portions at the same price.

In contrast, Pakatan Rakyat-managed states have successfully managed their finances and not overburdened the people with debts. In fact, Penang managed to reduce state debt from RM630 million at 8 March 2008 to only RM30 million as at end of October 2011. This represents a debt reduction of 95% or RM600 million, which is the highest debt reduction of any state in Malaysia's history!

Clearly, Malaysians who wish to have a better life for themselves and their future generations must make a choice between a government that is spendthrift and that borrows irresponsibly without being able to make the pie grow bigger, or a government that is prudent and transparent that will put the concerns of the rakyat first.

Confirmation by Malaysian Institute of Economic Research (MIER) that Malaysia will go bankrupt by 2019 with debt to GDP ratio of 100% demonstrates the importance of change of government at the next general elections for PR to save Malaysia from bankruptcy.

LIM GUAN ENG

(The views expressed above belongs to the author in its entirety and does not represent the opinion of Malaysian Mirror in any way)