

Going for healthy growth

BY WONG SULONG

A SHREWD strategy aimed at promoting growth and business while improving the quality of life of the rakyat - that's the thrust of Datuk Seri Abdullah Ahmad Badawi's 2006 Budget.

Those who lead an "unhealthy" lifestyle - and drinking and smoking come under the Government's definition of unhealthy living - are being made to pay, and dearly, too. The Government has slammed punitive taxes on beer, liquor and tobacco.

Apart from the "sin" taxes, the budget has something for everyone, although no one group will feel particularly ecstatic about the goodies and incentives.

(i) For civil servants, there is a one-and-a-half months' bonus for those earning below RM1,000 a month, and one month for those earning above RM1,000 a month. They will also get a living expense allowance;

(ii) The business sector is a big winner. The Government is giving a slew of incentives aimed at reducing the cost and irritants of doing business, encouraging risk-taking and broadening and strengthening the capital markets;

(iii) The poor have been singled out for government aid. Pak Lah is very conscious that there has been a sharp increase in prices, and he wants to ensure that the hardcore poor do not slip through the government's safety net. Hence, the monthly assistance to the hardcore poor households will be increased from RM350 to RM450;

(iv) The Prime Minister is also serious about reforming and transforming the police into an effective, trustworthy force of the 21st century. He has allocated close to RM4bil to equip and modernise the force, over and above the RM2.5bil announced earlier for the construction of better police quarters;

(v) Another concern of the Prime Minister is the scourge of



* AGENT FOR CHANGE: Abdullah presenting the 2006 Budget in Parliament yesterday.

profiteering. The Government will take firm action against profiteering, including the withdrawal of licences," he warned.

This is Abdullah's second Budget since taking over as Prime Minister and Finance Minister in October 2004. More significant, it's the first budget under the Ninth Malaysia Plan (2006-2010) and Pak Lah wants the 2006 Budget to be a powerful agent for change.

"We must promulgate a culture of high performance. The task of keeping the nation firmly on the path of strong growth is enormous and challenging, but I am confident that we can become a truly developed nation, imbued with noble values, if we are committed and make determined efforts," he said.

After two years of tough fiscal restraint, the Government is satisfied that the budget deficit is under control and continues to trend downwards - from 5.6% of Gross Domestic Product (GDP) in 2002 to 3.8% this year, to an estimated 3.5% for 2006. (A budget deficit of 5% of the GDP is considered to be a warning signal for the Government, requiring painful cuts in spending or increase in taxes or both).

Given that the deficit is within manageable levels, the Government is proposing to increase spending for 2006.

Federal Government expenditure is slotted at RM134.7bil.

Expenditure by Sector 2004 -2006

	2004	2005 ¹	2006 ²	2004	2005 ¹	2006 ²
Economic services	11,851	14,097	14,395	-14.0	19.0	2.1
• Agriculture & rural development	2,881	2,537	3,681	77.8	-11.9	45.1
• Trade & industry	1,201	1,743	2,884	-65.2	45.1	65.5
• Transport	6,630	7,442	5,439	-9.8	12.2	-26.9
Social Services	10,260	8,422	9,951	-42.1	-17.9	18.2
• Education & training	4,316	3,424	5,025	-57.7	-20.7	46.8
• Health	2,352	1,204	1,297	-12.3	-48.8	7.7
• Housing	1,593	1,729	1,895	-17.4	8.5	9.6
Security	4,133	4,782	5,599	-31.4	15.7	17.1
General administration	2,620	3,210	3,556	43.6	22.5	10.8
Total	28,864	30,511	3,502	-26.7	5.7	9.8
% of GDP	6.4	6.3	6.3			

Revised estimate 2 Budget estimate

of which RM101.2bil will be for operating and RM33.5bil for development. The development spending for 2006 is about 10% more than that of 2005.

The sectors that will see big increases in development spending include agriculture and rural development (RM3.68bil, an increase of 45%), trade and industry (RM2.88bil, up 65%), education and training (RM5bil, up 47%) and social services (RM9.9bil, up 18%).

Abdullah told Parliament that despite a more difficult

global environment (rising oil prices and US interest rates), the Malaysian economy was expected to grow by 5% for this year, strengthening by 5.5% for 2006 due to government spending and domestic demand.

However, he warned that Malaysia could not be isolated from the challenges of globalisation and must find new sources of growth such as biotechnology, medical tourism, education and commercial agriculture.

A very encouraging trend is the turnaround in the construction industry. After contracting for the past three years, the construction industry is expected to grow by 3% in 2006.

On the high oil price, Abdullah said this served as a "wake up" call for Malaysians to adjust their lifestyle, while the country must diversify its energy sources and improve energy efficiency.

• See Star Online for full text of Abdullah's speech