

NEW STRAITS TIMES

DATE: 21/8/2009

MIER: Large deficits to continue for some years

NST- 21/8/2009

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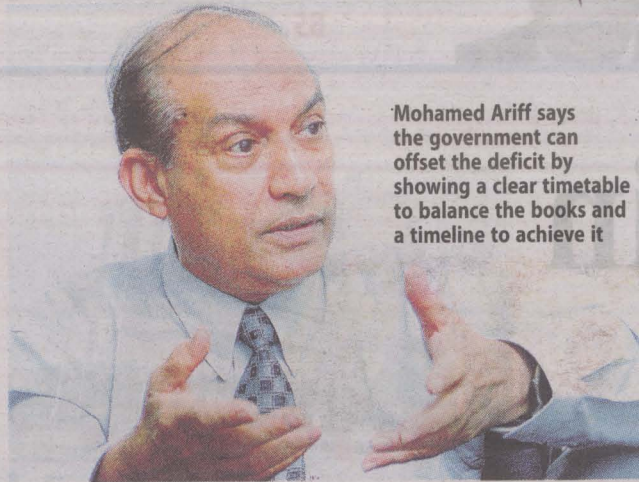
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MALAYSIA may not be able to cut its deficit to below 7 per cent of gross domestic product (GDP) in 2010 as it needs to spend to spur the economy, said an economic think-tank.

Malaysian Institute of Economic Research executive director Prof Datuk Dr Mohamed Ariff Abdul Kareem said the country will probably have large deficits for "years to come" and 10-11 per cent in 2010.

A bigger deficit could lead to a weaker ringgit and lower the country's sovereign ratings, but this should not be a big worry now.

"The government can offset this by showing a clear timetable to balance the books and a timeline to achieve it, and how it proposes to increase revenue," he said at a briefing in Petaling Jaya, Selangor yesterday.



Mohamed Ariff says the government can offset the deficit by showing a clear timetable to balance the books and a timeline to achieve it

He was involved in the Perdana Leadership Foundation's Industry Insights seminar, an economic conference.

Second Finance Minister Datuk Seri Ahmad Husni Hanadzlah had said the government plans to cut operating expenditure by 15 per cent next year to rein in the

budget deficit.

After announcing RM67 billion worth of stimulus measures, the government expects the deficit to rise to 7.6 per cent of GDP.

"The 15 per cent cut in operating expenditure sounds like a tall order requiring painful adjustments ... it's easier said than done,"

he said.

He said the only way the government can bring down the deficit is through controlled expenditure.

Meanwhile, Khazanah Nasional Bhd managing director Tan Sri Azman Mokhtar said the Malaysian economy has not fully recovered from the 1998 financial crisis in many respects.

"The last five to six years have been a commodity boom. With a country rich with commodities we should not be having a fiscal deficit. This betrays a deeper structural issue."

Speaking at a session on the economy, Azman also expressed concern about the drop in investments.

"Savings have remained in high 30 per cent while investments have dropped 20 per cent, raising the question as to why the corporate businesses have been investing less and what needs to be addressed."