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Najib may trim RM6b from govt's 2015 opex

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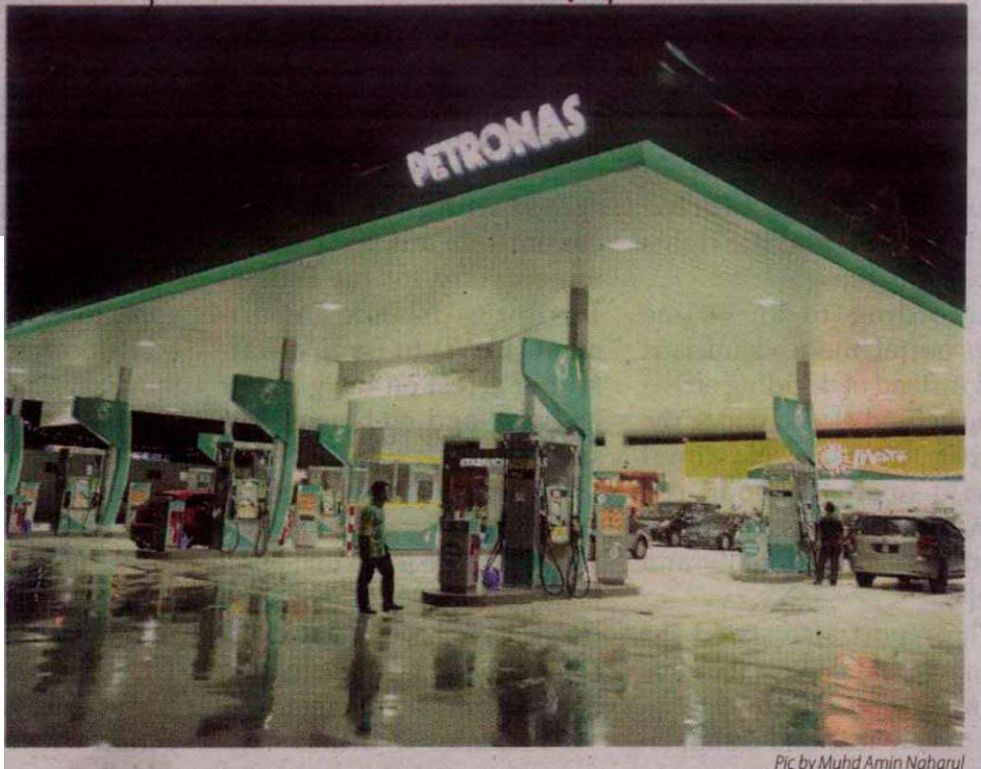
Major cuts expected to hit ministries, govt agencies and statutory bodies

by FARAH ADILLA & P PREM KUMAR

PRIME Minister Datuk Seri Mohd Najib Razak is expected to announce cuts of between RM5.5 billion and RM6 billion from the government's 2015 operating expenditure (opex) amid the lower-trending fuel price, weak ringgit and substantial costs to rebuild flood-hit states in the East Coast.

Najib is scheduled to announce the revised budget at a special briefing in Putrajaya this morning, as the original budget announced in October 2014 was structured on the assumption of US\$105 (RM374.57) per barrel of oil price. Oil prices have dropped by about 60% since.

Najib is expected to announce major cuts in spending allocations for ministries, government agencies and statutory bodies, a Treasury official told *The Malaysian Reserve (TMR)*.



Pic by Muhd Amin Naharul

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The official, who spoke on condition of anonymity due to the matter's sensitivity, however, said the final details have been tweaked by Najib's office.

The RM5 billion-RM6 billion cut is

less drastic than the RM10 billion that some economists are expecting because the government is still aiming to achieve its 3% budget deficit target this year.

Milder budget cut seen as good news for investors

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The government had allocated RM223.4 billion in operating expenses this year. The drop in crude oil price — currently at a range of US\$45-US\$50 per barrel — has hurt Malaysia's income, most directly due to lower dividends from national oil company Petroliam Nasional Bhd (Petronas).

Petronas' dividends constitute about 40% of the government's annual revenue.

FundsUPERMART.COM analyst Jason Wong told *TMR* that the

milder cut reflects the government's confidence that it will meet its fiscal deficit target this year.

"The milder cut is good news to investors because any big cuts from the Budget 2015 would mean that the country is not doing well now," he said.

Kenanga Investors Bhd CIO Lee Sook Yee said a cut in the Budget 2015 is very much needed if the government wants to control its deficit to not cross the 3% target this year.

She said if a cut is not announced, the fiscal deficit of the government might touch 4.1% this year.

"Even with the removal of subsidy on fuel, there will still be a net gap of 1.2% to the government's revenue after Petronas' announcement. Based on our calculation, if the government don't take any measures to cut the budget expenditure this year, it might not meet its fiscal deficit target," she said.

Analysts, however, remain confident that the savings

would come from the deferment of several mega infrastructure projects, with some suggesting that the government is expected to refinance these projects through public-private partnerships.

While tabling the budget last year, Najib had announced several mega projects including the construction of three expressways at a total cost of RM11.1 billion, the second mass rapid transit line, costing RM23 billion, and the third light rail transit project at RM9 billion.