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Malaysia's Najib Presents Budget

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KUALA LUMUR, Malaysia—Prime Minister Najib Razak unveiled a national budget offering more generous financial aid to Malaysians ahead of a general election due by 2018, the first since his government became embroiled in the 1MDB financial scandal.

In his budget speech to Parliament, Mr. Najib made no reference to the state investment fund 1Malaysia Development Bhd., which is being investigated by authorities in several countries over allegations that range from money-laundering to misappropriation of funds. 1MDB has denied wrongdoing and said it would cooperate with any lawful international investigation.

The budget speech is normally a sedate annual ritual on Malaysian television. But opposition lawmakers walked out Friday, saying they blamed

Mr. Najib for the scandal at 1MDB, which he founded in 2009 to spur economic growth. The lawmakers also called his budget unrealistic.

Mr. Najib said increases in the 1Malaysia People Aid Scheme payments, more commonly known as BR1M, which are in the form of cash placed directly in individual bank accounts, or as checks, were “not animal feed nor bait, rather they are sincere assistance from the government as we always prioritize the people’s needs.”

Mr. Najib, who is also Malaysia’s finance minister, announced an overall budget of 260.8 billion ringgit (\$62.3 billion), and said he would increase the cash payments to lower-income Malaysians—about 7 million of the country’s 30 million people. In the new budget, 6.8 billion ringgit has been allocated for the BR1M program. Mr. Najib also



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Prime Minister Najib Razak

said he plans to extend tax relief to all taxable income earners to include the purchase of smartphones and internet subscriptions. He extended tax incentives to Islamic banking and allocated funds to invest in potential small-and-mid cap companies to spur the capital market.

The measures that increase cash payments to households may shore up support among

lower-income Malaysians, especially among the ethnic Malay Muslim majority and in rural areas that form bedrock support for Mr. Najib’s party, the United Malays National Organization. The party, which is at the core of the ruling National Front coalition, performed well in a state and by-elections this year, helped by a fractured opposition and government pledges of huge development projects.

James Chin, a Malaysian academic who heads the Asia Institute at the University of Tasmania, described the spending blueprint as “an election budget in disguise” and predicted that the balloting could be held in 2017.

Malaysia’s economy is expected to grow between 4% and 5% in 2017, compared with 4.0% and 4.5% growth this year, and has been hurt by softer global crude prices since mid-2014.