

Najib to pump-prime as polls, slowing growth loom
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KUALA LUMPUR, Oct 4 — Prime Minister Datuk Seri Najib Razak is expected to unveil fiscal stimulus plans on Friday to shore up flagging growth and win support ahead of likely polls, but a global downturn could derail the government's deficit reduction plans next year.

Najib will present the 2012 Budget in Parliament at 4pm on Friday, likely to be his last before snap polls that are expected to take place within the next six months.

Friday's Budget is likely to be Najib's last before snap polls are called. — File pic
Citigroup estimates that government revenues will total US\$65 billion (RM208 billion) this year, nearly a quarter higher than earlier projections, buoyed by higher energy prices and tax collection.

Economists say bigger coffers would enable the government to pump prime while trimming its deficit to around 5.0 per cent this year, beating the official target of 5.4 per cent and below the 5.6 per cent logged in 2010.

"If the global economy slides into a recession, there is a strong possibility that the government will introduce stimulus spending even though it is increasingly finding it more difficult to manoeuvre, having run a budget deficit for the last 14 years," Peck Boon Soon, an economist with RHB Research, said in a note.

With sovereign debt at 53.3 per cent of gross domestic product in 2010, a global slowdown could jeopardise the government's plans to cut the long-standing fiscal deficit, economists said.

Economists expect the government to announce spending plans to boost construction, agriculture and services sector to support growth, which could ironically turn out to be Najib's biggest headache if a global recession hits.

The authorities are also likely to further liberalise key services sub-sectors such as healthcare, education and professional services and announce incentives for the oil and gas industry.

Malaysian economic growth accelerated to a 10-year high of 7.2 per cent in 2010 but annual inflation touched a 27-month high of 3.5 per cent in June this year, hitting consumers' pockets.

To cushion the impact of higher prices, Najib is expected to announce handouts on Friday including a bonus for 1.3 million civil servants as well as food stamps and utilities cash vouchers for households earning less than RM3,000 a month.

Political analyst Ong Kian Ming said in the best-case scenario, the handouts could help the ruling coalition win 10 more seats, bringing its tally to 147 seats and one short of the number needed for Najib to regain two-thirds control of the 222-seat legislature.

The government has said measures to mitigate the impact of the rising cost of living would

be the centrepiece of Friday's spending plans, mindful of a backlash that contributed to former Prime Minister Tun Abdullah Ahmad Badawi's early exit from power in 2009.

Few expect Friday's Budget to articulate further on promised economic reforms to avoid unsettling voters, such as introducing a goods and services tax, a more aggressive rollback of subsidies, and restructuring a controversial affirmative action policy favouring the country's majority ethnic Malays.

Malaysia needs an average of 6 per cent annual growth to meet its aim of becoming a high-income nation by 2020, with the government targeting at least 5 per cent growth this year.

OCBC Bank economist Gundy Cahyadi said signs are already emerging of an export slowdown due to softening demand, with exports contributing 89 per cent of GDP in 2010.

"The slowdown will be hard to avoid, and if things go as what we foresee in 2012, Malaysia's GDP growth may ease to about 3.8 per cent year-on-year from our projected 4.7 per cent expansion this year, he said." — Reuters

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