

Guan Eng says national debt 'dangerous', potentially disastrous
The Malaysian Insider
January 11, 2012
By Shazwan Mustafa Kamal

KUALA LUMPUR, Jan 11 — Massive borrowing and irresponsible spending by the Barisan Nasional (BN) government will result in Malaysia becoming a fully indebted nation before the end of the decade, Lim Guan Eng said today.

The Penang chief minister said that Putrajaya's debt to Gross Domestic Product (GDP) ratio has increased yearly from 53.1 per cent in 2010 to 53.8 per cent last year and is expected to hit 54.8 per cent this year.

"This is extremely dangerous, and even more disastrous when coupled with statistics from Bank Negara's Annual Report 2010, which revealed that Malaysia's household debt at the end of 2010 was RM581 billion, or 76 per cent of GDP, thus giving us the dubious honour of having the second-highest level of household debt in Asia, after South Korea.

"In absolute terms, federal government debt rose by 71 per cent in four years to RM456 billion at (the) end (of) 2011 from RM266 billion at end (of) 2007," said Lim in a statement today.

The DAP secretary-general said by following the same expansion rate, national debt would be a projected RM780 million by 2016 and RM1.3 trillion by 2020.

Lim's remarks are in response to a statement by Malaysian Institute of Economic Research (MIER) distinguished fellow Mohd Ariff Abdul Kareem, who warned that federal government revenue was growing too slowly to keep up with its borrowings which hit 53.1 per cent of GDP in 2010.

Mohd Ariff told The Malaysian Insider recently that Malaysia's national debt will hit 100 per cent of the GDP by 2019 should Putrajaya continue to borrow more than it earns. He said while the current size of government debt relative to GDP was not troubling, the pace of its growth in recent years was cause for concern.

Lim said that a stagnation in salaries and increased prices for basic commodities could result in Malaysians becoming even more debt-laden. — file pic
Debt-to-GDP ratio jumped from 41.4 per cent in 2008 to 53.1 per cent in 2010 while government debt grew 14.6 per cent in 2008 and 18.3 per cent in 2009, far outpacing the country's GDP growth, Ariff had said.

Lim added that a stagnation in salaries, coupled with increased prices for basic commodities such as sugar, eggs, and bread, will further result in Malaysians becoming even more debt-laden.

The Bagan MP said that MIER's projections that Malaysia could end up becoming bankrupt by 2019 showed the need for new federal government, one that should be led by Pakatan Rakyat (PR).

He said that PR has successfully "managed" finances in states such as Penang.

“Penang managed to reduce (its) state debt from RM630 million in March 8, 2008 to only RM30 million as at end of October 2011. This represents a debt reduction of 95 per cent, or RM600 million, which is the highest debt reduction of any state in Malaysia’s history.

“Clearly, Malaysians who wish to have a better life for themselves and their future generations must make a choice between a government that is spendthrift and that borrows irresponsibly without being able to make the pie grow bigger, or a government that is prudent and transparent that will put the concerns of the rakyat first,” Lim added.

The Malaysian Insider

Copyright© 2012 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/malaysia/article/guan-eng-says-national-debt-dangerous-potentially-disastrous/>