KERATAN AKHBAR

Reduction in government spending can address inflation

> FROM PAGE 1

2022, with a value of RM322.5bil and RM332.1bil respectively.

The unprecedented massive fiscal injection, while aimed to regrow the economy to pre-pandemic level, has stretched the government's finances.

Manokaran said there is little room for the government to dish out more assistance, especially in tackling rising inflationary pressures.

A reduction in government spending, moving forward, will not only help to bring the fiscal space under control but also address the higher inflation.

The national fiscal deficit is expected to dip to 6% of GDP in 2022 as the government tries to control its expenditure amid the economic recovery.

AmBank Research expects the overall macro policy to remain pro-growth this year, supported by an expansionary Budget 2022 and stimulus measures of RM530bil, coupled with the rollout of the 12th Malaysia Plan.

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>
> AmBank Research

Should the economic sectors namely manufacturing, construction and services continue to outperform expectations in the coming months, AmBank Research said this will provide a further uplift to the economy.

The research house expects a moderate outlook for Malaysia in 2022, with "room for revision."

It projects a 5.4% growth in 2022 as the base case, with the upside at 6% and downside risk at 3.5%.

Malaysia's base case growth of 5.4% is higher than AmBank Research's forecast for China at 5%.

Meanwhile, the United States, United Kingdom and Japan are expected to grow by 4%, 0.6% and 2.3% respectively in 2022.

AmBank Research said Malaysia's growth momentum this year will be supported by the positive impetus of high Covid-19 vaccination coverage and the ongoing booster rollout, aside from the low base of 2021.

"Domestic demand would benefit from private consumption through higher household income, improved job market, higher minimum wage and continued direct cash assistance by the government to targeted groups (9.6 million recipients) and a special payment to civil servants and retirees (2.3 million recipients).

"Private investment will remain the growth engine.

"It would benefit from the government's effort to promote quality investment, fiscal injection, business capex expansion driven by a more optimistic outlook, and the implementation of approved foreign direct investments in the manufacturing and services sectors due to a better global and domestic environment," said AmBank Research in a note yesterday.