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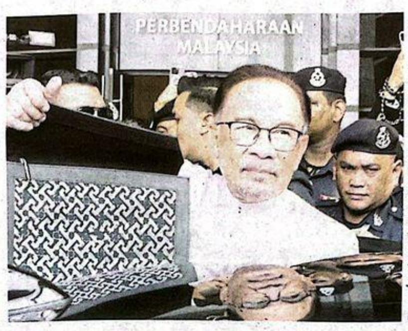
RM393.8b budget to strengthen economy

RM393.8B BUDGET TO STRENGTHEN ECONOMY

A balance between supporting economy and continuing fiscal consolidation



Prime Minister Datuk Seri Anwar Ibrahim showing the briefcase containing his speech for the tabling of the 2024 Budget yesterday. PIC BY MOHD FADLI HAMZAH

KUALA LUMPUR

MALAYSIA has gone "expansionary" again, unveiling a bigger budget for next year to expand the economy and government coffers amid a global slowdown.

The 2024 Budget boasts a higher allocation for operating spending and handouts, particularly for the low- and middle-income groups, civil servants, and small and medium businesses.

It also introduces new taxes and revises existing ones and, as expected, announced a gradual targeted subsidy for diesel to ease the government's financial strain.

At RM393.8 billion, next year's annual bill will be larger than this year's revised budget of RM386.3 billion that Prime Minister Datuk Seri Anwar Ibrahim tabled in late February this year. The revised budget was much higher than the RM372.3 billion originally tabled by Anwar's predecessor, Datuk Seri Ismail Sabri Yaakob, but was not passed last October.

For next year, RM303.8 billion is marked for operating expenditure (OE), RM90 billion for development expenditure (DE) and RM2 billion for contingencies.

The DE is lower than this year's RM99 billion, which is the country's biggest development expenditure so far.

Next year's larger OE comes on the back of expectations that government revenue will increase to RM307.6 billion from RM303.3 billion this year.

The fiscal deficit is also expected to be reduced to 4.3 per cent next year, from five per cent this year, as the government targets the economy to grow four to five per cent next year.

"The 2024 Budget cemented the prime minister's commitment to credibly strengthening Malaysia's fiscal position in the medium-term. The government stayed true to its fiscal consolidation agenda in setting the 2024 Budget deficit at a narrower 4.3 per cent of gross domestic product versus 5.0 per cent in 2023," said OCBC senior Asean economist Lavanya Venkateswaran.

Themed "Reformasi Ekonomi, Memperkasa Rakyat", the 2024 Budget is a balancing act between the need to support the economy and to continue with fiscal consolidation.

It walks the talk in terms of establishing the government's path to better fiscal health over the medium-term.

Anwar is trying to achieve this by, among others, enhancing tax collection effectiveness and plugging leakages, as well as broadening the revenue base.

He announced a shift away from blanket subsidies to a system that mainly aids lower-income groups.

"Although subsidised goods help people minimise the cost of living, the fact remains that subsidies benefit the rich more, and low prices have increased wastage and smuggling out of the country," Anwar said.

The government subsidises petrol, cooking oil and rice among other items. These expenses have climbed to record levels in recent years due to higher commodity prices.

Anwar said diesel subsidies would be phased out, while temporary price controls on chicken and eggs will be lifted as supplies had stabilised.

Savings from subsidy cuts will be used to increase cash aid for the needy under the Rahmah Cash Aid scheme from RM8 billion to RM10 billion in total.

Malaysia is projected to spend RM52.8 billion on subsidies and social assistance in 2024, down from the RM64.2 billion expected this year, although Anwar said the 2023 figure could reach RM81 billion.

Logistics companies and certain groups will continue to enjoy subsidised diesel but other users will have to pay a higher price as part of the government's plans to restructure fuel subsidies.

The government currently pays RM1.60 for every litre of diesel to cap the price at RM2.15 per litre.

Inflation is expected to tick up due to the removal of some subsidies. Malaysia expects inflation to be between 2.1 per cent and 3.6 per cent in 2024, compared with this year's estimate of between 2.5 and 3.0 per cent.

A number of taxation reforms will be implemented next year to expand the country's revenue base while not burdening the majority of the people.

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