

**BUDGET 2012**

***Policy-based Interventions vs Goodies?***



**BUDGET 2012:**  
**EMPTINESS?**

**MOHD RAFIZI RAMLI**

*Chief Executive,  
Selangor Economic Advisory Office*

*Director of Strategies,  
Parti Keadilan Rakyat*



# Faulty economic structures bear heavily on the people

BUDGET 2012

Trapped in low cost economic model



Dependency on cheap foreign labours



Depressed wages & unemployment from mismatch

Skewed market from monopolies & food imports



Continuous price increase of essential items



Rising cost of living

Leakages, wastages from corruption & mismanagement



Unsustainable deficits & public debts

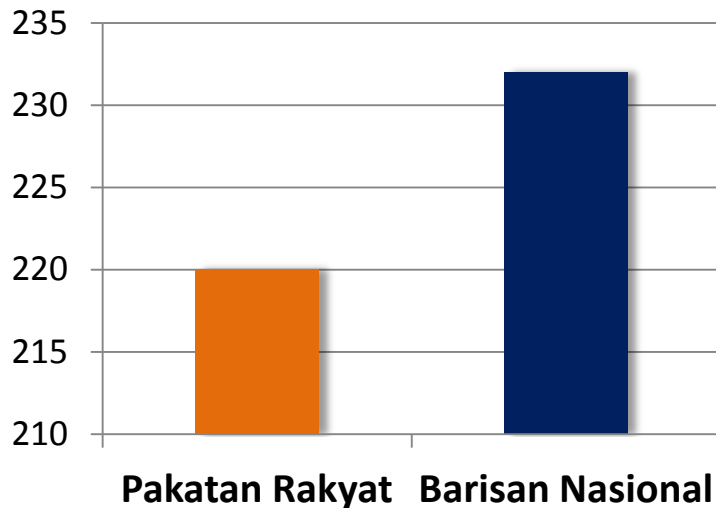


**Malaysians face 3-prongs economic pressures: low wages, high rise & threats of meltdown**

# Bird's view comparisons

BUDGET 2012

Total Budget (RM mil)

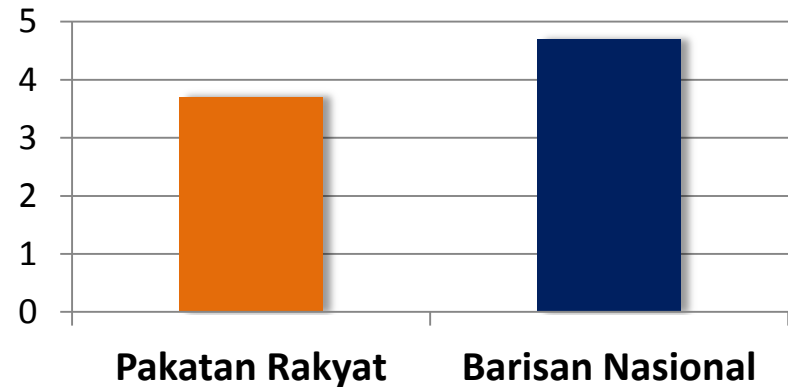


**39b**

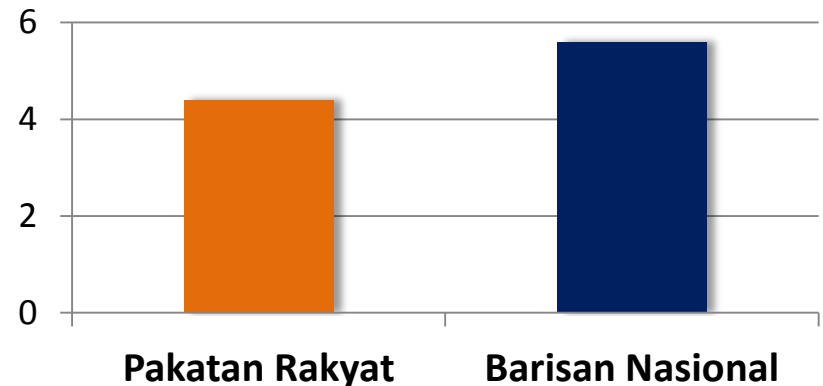
**46b**

*Level of new debts to finance deficits*

Deficit (% of GDP @ 5%-6% growth)



Deficit (% of GDP @ 4%-4.5% growth)



**Necessity to use accurate and realistic growth targets to rein in on deficits and debts**

# Core comparisons on policies and effects on economic structures

BUDGET 2012



**Total budget:** RM220b

**Deficit target:** 4.4% out of GDP  
(3.7% based on BN's projection)

**2012 Growth:** 4% - 4.5%

**Key policies:**

*Universal RM1,100 minimum wage to all*

*Break monopoly & improves subsidy delivery system to control prices*

*RM6.9b Direct assistance package for immediate intervention*

**Focus on policy-based intervention to alter economic structures for lasting improvements**



# Core comparisons on policies and effects on economic structures

BUDGET 2012



**Total budget:** RM232b

**Defisit target:** 4.7% out of GDP  
(5.6% based on PR's projection)

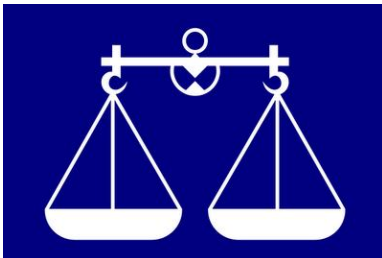
**2012 growth:** 5% – 6%

**Key policies:**

*Once off bonus to civil servants &  
once off payments to select groups*

*Massive pump priming with special  
incentives to crony-linked projects  
(KLIFD)*

*Privatisation (FELDA Global)*



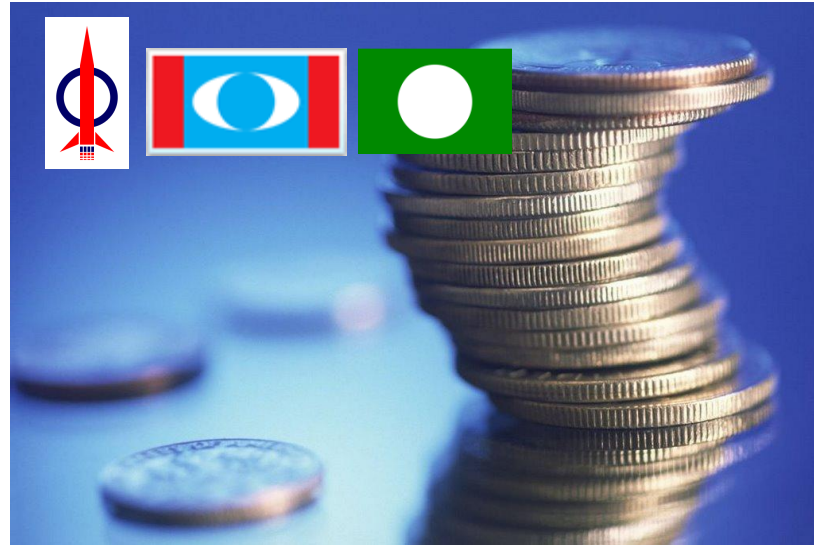
**Approach: once off payment without any policy basis,  
expensive for the public to bear**

# Policy approach vs Bribery approach

BUDGET 2012



Once off payment limited to 2012, no change to wage level, inflation will continue, burden public purse to pay once off payment



Universal minimum wage will step-change wage level, intervention to propel industries to high value, anti-monopoly measures to stop skewed prices and contain inflation, high income economy to enlarge future government income



**Huge debt to be inherited by future generation along with economic deterioration**

# Malaysia is on course to breach legal national debt ceiling

BUDGET 2012



## 55% out of GDP

*Legal national debt ceiling*

*Loans (Local) Act 1959*

*Government Investment Act 1983*

## 53% out of GDP

*Government debt level as at June 2011*



**BN does not have much leeway to continue massive borrowing to fund 2012 Budget promises**



# Confirmed: GST to be implemented after GE13 if BN stays in power

BUDGET 2012

**GST (new tax):**

**Taxes on  
everyone poor  
or rich and  
regressive**



**BN has committed to GST implementation, spike in inflation expected**



**THANK YOU**

