

# Specific allocations have impact on Sabah's growth: UMS

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KOTA KINABALU: The 2017 Budget is a budget that is inclusive, balanced and focused on growth stimulating spending, a praiseworthy feat considering the uncertainty of the current global environment and the challenging situation the country is facing.

Universiti Malaysia Sabah (UMS) Faculty of Business, Economics and Accountancy senior lecturer and an economist Dr Rafiq Idris said the recent budget in general is a budget of expenditure for Malaysia, regardless of geographical location.

"When looking at specific allocation that is meant for Sabah, to name a few, efforts on the intensification of the Pan Borneo highway implementation, power station in Sandakan, roads development for Lok Kawi-Pengalat-Papar road, potentially have effects on economic growth.

"All these may have impacts on job and income creation. In addition, the road upgrading for Jalan Lok Kawi-Pengalat-Papar



will also affect the logistical cost if it involves road expansion. In sum, all these create multiplier effects.

"Therefore, specific allocations like these have impacts on Sabah's economic growth," he said.

Rafiq, who is a known for his research in trade and expertise in the Trans-Pacific Partnership Agreement (TPPA), also said that the 2017 budget is a demand stimulating budget.

For instance, he said, the implementation and increase in BR1M assistance will also increase the demand in 2017 for the

consumption component of GDP.

He opined that giving more BR1M allocation means, consumption will be more because most of the recipients are from among the low income Malaysians on who earn income below a certain threshold amount.

"Past studies have indicated people with low income have higher marginal propensity to consume (MPC) percentage. This indicates, the lower income group has the tendency to spend all or almost all of the income that they earn.

"This may give signal to producers to increase supplies of goods and services due to the potential increase in spending. Thus, the 2017 Malaysian budget is likely to spur demand in the domestic economy," he said.

In his opinion, he said, the 2017 budget in general is a GDP growth stimulating budget for the country because, spending for 2017 has 'stimulating effects' on all the GDP components which are namely, con-

sumption ©, investment (I) and net exporters.

BR1M, incentives for first house purchase, the construction of 5,000 units My-Beautiful New Home through NBOS for those under B40 worth RM200 million, tax incentives for businesses, Increase in Program eUsahawan and eRezeki for 300,000 participants, RM1.3 billion allocation for paddy farmers in the form of price subsidy and few others, other incentives for SMEs entrepreneurs and exporters, RM2.1 billion allocation for infrastructure and socio-economic development and many others have GDP growth stimulating effects.

"All these have multiplier effects with more job and income creation to be realised. Based on my elaborations on the 2017 national budget of Malaysia, I believe that the government is striving to portray a responsible attitude by incorporating more prudent measures that reflect discipline in its financial management and budgeting activities," he said.