

## Prudent economic measures paying off

By Zarina Zakariah

KUALA LUMPUR: MALAYSIA is not in crisis and the government's prudent measures are finally paying off, says World Bank senior economist Frederico Gil Sander.

"The government has been successful in cutting its deficit level, lessening the subsidy payouts as well as implementing a structured taxation system, the Goods and Services Tax (GST).

"Of course, the government is facing some challenges, but the challenges would have been greater had the measures not been implemented earlier.

"However, medium-term measures need to be outlined and communicated to cater for the current fluctuating economic environment," said Sander after the release of the World Bank Group's Global Economic Prospects report yesterday.

In the report, it was forecast that developing countries would see an uptick in growth this year, boosted by soft oil prices, a stronger United States economy, continuing low global interest rates and receding domestic headwinds in several large emerging markets.



*World Bank's director of development prospects Ayhan Kose (front, left) sharing a light moment with World Bank senior economist Frederico Gil Sander at a forum on "Prospects for Global Oil Prices, World Trade and the Regional Outlook: Implication for the Private Sector, yesterday. Pic by Surianie Mohd Hanif*

World Bank president Jim Yong Kim said global economic prospects would improve this year, but divergent trends pose downside risks.

"After growing by an estimated 2.6 per cent in 2014, the global economy is projected to expand by three per cent this year, 3.3 per cent in 2016 and 3.2 per cent in 2017. Developing countries are expected to edge up to 4.8 per cent in 2015, strengthening to 5.3 per cent and 5.4 per cent in 2016 and 2017, respectively.

"In this uncertain economic environment, developing countries need to judiciously deploy their resources to support social programmes with laser-like focus on the poor and undertake structural reforms that invest in people," said Kim.

Meanwhile, World Bank's director of development prospects, Ayhan Kose, said lower oil prices would lead to sizable real income shifts from oil-exporting to oil-importing developing countries.

"For both exporters and importers, low oil prices present an opportunity to undertake reforms that can increase fiscal resources and help broader environmental objectives," he said, adding that large middle-income countries that will benefit from lower oil prices include India, Brazil, Indonesia, South

Africa and Turkey.

"However, sustained low oil prices will weaken activity in exporting countries," said Ayhan, adding that global oil prices would likely hover around USD53 (RM189.25) a barrel for at least two years, but will pick up the following year.

"Oil prices will remain soft despite a slight increase of between USD4 and USD5 due to ample supply.

"On the upside, the decline in oil prices could add 0.5 per cent to the global gross domestic product," he added.

## **World Bank: Include fiscal risk statement in Malaysia's budget**

By: FINTAN NG

KUALA LUMPUR: The inclusion of a fiscal risk statement in the annual budget should help Malaysia plan for the medium term better, the World Bank's senior economist for Malaysia, Dr Frederico Gil Sander, said.

He said Malaysia could follow the example of the Philippines, which follows the practice of having a fiscal risk statement.

Other countries with such statements include all European Union member countries as well as most Organisation for Economic Cooperation and Development countries.

Gil Sander also said this statement would include a sensitivity analysis and forecast of oil prices as well as how such price movements would impact the budget. "This will help the Government plan in advance," he said at the "Prospects for Global Oil Prices, World Trade and the Regional Outlook: Implications for the Private Sector" talk by the World Bank's development prospects group director Dr Ayhan Kose.

Fiscal risk statements often include contingent liabilities such as the debt incurred by 1Malaysia Development Bhd, a state-controlled strategic investment firm.

He suggested the adoption of the statement as part of the tabling of the annual budget to Parliament.

Gil Sander said this would be a good time for Malaysia to implement the reforms aimed at lowering the fiscal deficit, as the country "is not facing a crisis".

Malaysia recently revised Budget 2015, where gross domestic product growth was lowered to 4.5% to 5.5% from the 5% to 6% assumptions previously.

The deficit target was revised to 3.2% from 3% for this year. The country has targeted to bring down the deficit to 3.5% for 2014.

With the debt trajectory continuing to decline, Gil Sander said "the projections are realistic and the Government should be able to implement the measures from the budget".

"There are some challenges to the outlook but the country is not in a crisis, so it's a good time to prepare for when the oil prices go up, there'll be pressures to reintroduce subsidies.

"Now is the time to come up with a good plan to mitigate the costs of living that may happen a year or two from now," he said, adding that this would help the country face another shock when it happens.

Meanwhile, Kose said the global recovery "is limping along" supported by low inflation stemming from low commodity prices and easy financing, but dragged by slowing global trade.

He said the risks were to the downside, as global economic growth since 2010 has been mediocre, with advanced economies barring the United States still visibly struggling. Kose added that support would not be forthcoming from central banks this time around, given how monetary policy tools have been expanded since the 2008/2009 global financial crisis.

He pointed out that declining oil prices this time around have been due to a mixture of low demand and incoming supply.

The World Bank expects global oil prices to average US\$53 a barrel this year. Kose said compounding the woes of oil producers was the drop in energy consumption, manufacturing output production and oil intensity (the amount of oil used as input for production).

## **Recent budget revision a good move, says economist**

By Premalatha Jayaraman Thursday

The government revised fiscal deficit to 3% in 2015 is achievable, said a World Bank economist who views the government recent move to revised its budget this year as a good move.

"I think the more important point is that it is easy for the government to move with medium term fiscal framework, where it will provide medium term ceiling to better control its expenditure," its senior economist Frederico Gil Sander told reporters at the World Bank and the Institute of Strategic and International Studies (ISIS) Malaysia seminar on "Prospects for global oil prices, world trade and regional outlooks: implications for the private sector" held in Kuala Lumpur yesterday.

Gil Sander said the budget review show the government discipline in meeting its budget targets.

"Maintaining the budget discipline going forward is something very important and we think that having the medium term framework would help the government meeting its budget discipline," he said.

He also pointed out that there are some challenges in the outlook of Malaysia's growth but dismiss that the country is in a economic crisis.

"I definitely think Malaysia is not in a crisis. The gross domestic product (GDP) is expected to be in the region of 4.5% and 5% this year. It is still a good growth but this is not a time of buoyant growth. Maybe its time to think of medium term reform that will help Malaysia to face if there is another shock happens and becoming complacent."

Gil Sander said it timely for the country to come up with strong measures to mitigate a jump in the cost of living which may happen in the next one to two years.

He said it is good for the government to have a plan of how to help out lower income group without reintroducing the fuel subsidy.

Meanwhile, World Bank director for development prospects group Dr Ayhan Kose said the bank has lowered the global economic growth forecast to 3% this year, below a forecast of 3.4% made on June following lower oil prices, continued low global interest rates and receding domestic headwinds in several large emerging markets.

As for oil prices, Kose said World Bank forecast oil price to be about US\$53 a barrel in 2015. He said weak oil prices may reduce investment in new oil exploration and development.

"Lower oil prices will lead to sizeable real income shifts from oil-exporting to oil-importing developing countries. For both exporters and importers, low oil prices present an opportunity to undertake reforms that can increase fiscal resources and help broader environmental objectives," he said.

He said amongst large middle-income countries that will benefit from lower oil prices is India, where growth is expected to accelerate to 6.4% this year from 5.6% in 2014.

In Brazil, Indonesia, South Africa and Turkey, he said the fall in oil prices will help lower inflation and reduce current account deficits, a major source of vulnerability for many of these countries.

## **Harga minyak dijangka rendah untuk dua tahun**

OLEH MOHAMMAD YASIR JAAFAR

KUALA LUMPUR 4 Feb. – Kumpulan Bank Dunia meramalkan harga pasaran minyak mentah dunia akan terus berada pada paras rendah untuk tempoh dua tahun sehingga hujung 2016.

Pengarah Pembangunan Prospek Kumpulan Bank Dunia, M. Ayhan Kose berkata, ramalan itu dibuat menerusi penurunan permintaan serta peningkatan bahan mentah berkenaan di seluruh dunia.

“Pihak kami meramalkan harga minyak akan terus menurun dan berada pada paras serendah AS\$53 (RM188.74) setong bagi tahun ini.

“Bagaimanapun, kita menjangkakan ada kenaikan bagi harga minyak menjangkau sehingga AS\$58 (RM206.55) bagi 2016, namun harga minyak akan terus berada pada tahap lemah dalam tempoh dua tahun ini,” katanya.

Beliau berkata demikian ketika membentangkan kertas kerja bertajuk ‘Prospek Harga Minyak Dunia, Dagangan Dunia dan Kesan Rantau’ di Institut Kajian Strategik dan Antarabangsa (ISIS) Malaysia, di sini hari ini.

Jelasnya, senario itu bakal memberikan pelbagai implikasi termasuk melemahkan pertumbuhan ekonomi khususnya di negara maju dan membangun.

“Secara pasti tahun lalu merupakan tahun yang amat mengecewakan khususnya kepada negara yang sedang membangun.

“Kejatuhan harga minyak itu bakal menyaksikan banyak negara seperti di Eropah, Jepun serta China akan mengalami pertumbuhan ekonomi yang lemah,” katanya.

Menurutnya, kejatuhan harga bahan mentah di pasaran dunia juga akan memberi kesan terhadap penurunan dagangan komoditi, keadaan kewangan selain peningkatan peratusan kadar kemiskinan bagi banyak negara.

“Malah kita sekadar meramalkan pertumbuhan ekonomi dunia bagi tahun 2015 hanya pada kadar tiga peratus, sedangkan sasaran awal kita adalah pada kadar 3.4 peratus namun kita terpaksa mengurangkannya di atas pelbagai faktor,” ujarnya.