

KERATAN AKHBAR

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GREATER FLEXIBILITY

'HIGHER DEBT CEILING WILL AID ECONOMIC RECOVERY'

But that should only be a temporary measure as it will hamper gov't's ability to achieve balanced budget, warn analysts

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ECONOMISTS believe the government's decision to raise the statutory debt ceiling to 65 per cent of gross domestic product (GDP) from the current 60 per cent will aid the country's economic recovery.

However, they said it should only be a temporary measure as the increased debt would impair the government's ability to

achieve a balanced budget in the future.

Putra Business School business development manager Assoc Prof Dr Ahmed Razman Abdul Latiff said having a higher debt ceiling would put pressure on the government to increase its revenue continuously.

"This is because nearly 15 per cent of the government's annual revenue had to be allocated to pay debt commitments. Our development expenditures are now almost entirely funded by debt.



An effective rollout of the Covid-19 vaccination programme can speed up the reopening of the economy and help strengthen the ringgit against the US dollar. FILE PIC

"This may force the government to introduce new taxes later, such as the Goods and Services Tax," he told the *New Straits Times*.

Bank Islam chief economist Dr Mohd Afzanizam Abdul Rashid said the higher debt limit would provide the government with the flexibility to spend more, especially as the economy was fragile due to the impact of the Covid-19 pandemic and re-

quired active intervention.

"This flexibility will enable the government to manage the economic recovery process."

On the ringgit's performance, Afzanizam said the ringgit had seen a steep appreciation against the US dollar recently.

He said this was due to signs that the United States Federal Reserve was not in a hurry to raise its interest rate.

External factors would contin-

ue to affect the value of the ringgit, he added.

"Domestically, the Covid-19 vaccination programme has proceeded well, leading some states migrating into Phase 2 and 3 of the National Recovery Plan.

"An effective rollout of the vaccination programme means more economic sectors will soon be able to reopen.

"This should help boost the ringgit."