'Govt to adjust budget if global oil prices stay low'

'NEW NORMAL': Finance Ministry to decide if or when it will be revised, says Wahid

KUALA LUMPUR

*Minister in the Prime Minister's Department **Datuk Seri Abdul Wahid Omar** (left) delivering his speech **'Economic Outlook: The Way Forward'** at University Technology Malaysia yesterday.*

THE government will make an adjustment to the 2016 Budget if the drop in global crude oil price continues.

"Firstly, we have to establish whether this (the price) is a 'new normal' average for next year. There's a lot of discussion at the moment. We will get to the matter in January," said Minister in the Prime Minister's Department Datuk Seri Abdul Wahid Omar.

"If this is the new normal, then adjustments will have to be made accordingly. But I don't think the oil price is about the economics — supply demand, cost of production, and geopolitics," Wahid added.

He, however, said it was up to the Finance Ministry to determine if or when the budget was to be revised.

The Brent crude oil is hovering at US$37 (RM160.20) a barrel, while the United States benchmark West Texas Intermediate is moving at US$35 a barrel.

Wahid said he believed that the price of oil would not be at such a low level for a long period.

"There will come a time when it moves up. The revenue for oil price must be higher than cost of production because if it's lower than cost production, then some oil fields will have to shut its operations," he told a press conference after delivering a talk on "Economic Outlook: The Way Forward", here, yesterday.

On whether Malaysia will be able to meet its target of lowering its fiscal deficit to 3.2 per cent of gross domestic product, Wahid said the average oil price up to September was above the revised crude oil price assumption of US$55 a barrel.

He said Malaysia's fundamentals remained strong as the country had diversified resources, export markets and income streams from other industries besides oil and gas.

"As the economy continues to grow, I think there are little reasons for people to make unexpected moves. We will continue to embrace proactive policies," he added.

Wahid said the ringgit was expected to average at 4.20 against US dollar despite the 25-basis point interest rate hike by the US Federal Reserve on Wednesday.

He said the hike in interest rate had been long anticipated in terms of timing and quantum and the increase of 0.25 per cent was within the expectation of most analysts.

"Malaysia's economic fundamentals are strong. It has a visible level of fiscal discipline and eloquent level of reserves to withstand external economic environment," he said.

In light of this, he said the country would continue to remain focused on the domestic economy to ensure the country was shielded from global volatility.

On whether Malaysia would adjust its overnight policy rate (OPR) following the US rate hike, Wahid was non-committal and said it was up to Bank Negara Malaysia to adjust the policy rate.

"The OPR, which is at 3.25 per cent, remains accommodative to the economy and supportive for investments," he said.