Economy would be 'paralysed' without GST, says Najib

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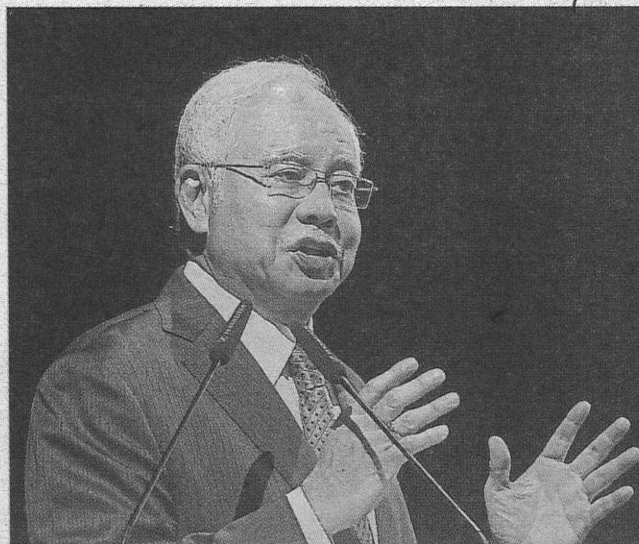
Prime minister says country's economy is still healthy due to GST's effective implementation

by P PREM KUMAR



Pic by Muhd Amin Naharul

Najib says the economy has remained firm and is still recording an encouraging growth through the strengthening of economic and financial structures

ANY attempt to remove or reduce the current Goods and Services Tax (GST) rate will only "paralyse" Malaysia's economy, says Prime Minister Datuk Seri Mohd Najib Razak.

Najib, who is also Finance Minister, told the Dewan Rakyat yesterday that the country's economy is still healthy due to the effective implementation of the GST.

"I wish to reiterate in this House that without GST, Malaysia's economy would be paralysed...GST is the saviour of our economy," he said.

The premier was responding to a supplementary question from Kluang MP Liew Chin Tong, who asked whether the government wished to reduce the GST rate to boost domestic consumption amid rising cost of living.

Najib, however, described the claim as a negative interpretation by Opposition parties and that it does not reflect reality.

Najib also said the country's economy has remained firm and is still recording an encouraging growth through the strengthening of economic and financial structures.

"This includes the implementation of the GST last year, which has borne the shortage of the government's revenue due to the drop in global oil prices and subsidy rationalisation to the target group," he said to a question from Kepong MP Dr Tan Seng Giaw.

Tan, in his written question, had asked Najib on the current economic situation and the government's efforts to improve it.

Najib said the gross domestic product (GDP) growth is estimated at 4%-4.5%, looking at the performance in the first-half of the year which recorded 4.1% in growth.

He said Malaysia recorded GDP growth of 5% last year compared to some Asean partners, such as Indonesia at 4.8% and Thailand's 2.8%. Even South Korea's GDP was only at 2.6%, while the global GDP growth was 3.2% for the same period.

"The reduction in growth this year compared to last year's is due to the slow momentum of the global economic growth.

"Malaysia's exports (are) reduced...the weak international market has also caused drops in commodity prices like oil, gas, palm oil and minerals," Najib further said.

In order to mitigate the unfavourable external conditions, the government intends to build greater domestic resilience.

"We must pay attention to the efforts taken to strengthen domestic resilience of our economy, which includes a closer look at our economic fundamentals.

"We are implementing mechanisms to increase our exports, enhance efforts to boost innovation and productivity. All these are to build domestic resilience," he said.

After the session, Liew told reporters that many economists have argued that reducing the GST rate would spur local demand and consumption, which also reflects "sound economy".

He said the Malaysian economy is primarily driven by domestic demand and consumption, and any factors seen as dampening the drivers should be looked at seriously.

"Domestic demand had slowed due to GST. Along with falling oil prices and depreciation of the ringgit, domestic demand and consumption are even lower," he added.