

What to watch for in Malaysia's Budget 2016

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Reuters

Malaysia's Prime Minister Najib Abdul Razak will present the government's annual budget for 2016 on Oct 23. Below are some items expected by analysts, compiled from research notes and media reports.

Progress on 1MDBs investigation

Maybank Investment Bank Research among the items that may be raised by the government is its commitment to resolve issues related to 1MDB by year-end, resuming a parliamentary inquiry and monetisation of 1MDB's power assets and landbanks to pare down debts.

Cash aids

BR1M, a programme to hand out cash assistance to households earning less than RM4,000 (US\$951.25) a month and individuals earning less than RM2,000, would see an increase of RM100 to RM200, said AmResearch. The expansion in BR1M will likely cost the government RM5.6 billion in 2015, up from RM4.9 billion last year.

Higher minimum wage

The minimum wage may be raised, with the possibility of a single national minimum wage as opposed to current different levels for peninsula Malaysia and East Malaysia, said Maybank.

GST collections

Revenue collected from Goods and Services Tax (GST) expected to be higher than official estimate, helping to offset stubbornly high operating expenditure, said Kenanga, a Malaysian investment bank.

Corporate tax cut

If the increase in tax collections from GST allows it, a corporate tax cut of one percentage point to a standard rate of 23 percent could be announced for 2017, Kenanga said.

Disposable income boost

Measures to increase private consumption possible via income tax relief or a temporary reduction in employee EPF contributions, Kenanga said.

Infrastructure spending

Infrastructure spending would likely focus on rural areas, with plans for highway and railway construction, expansion of fibre optic cables and development of electricity and clean water supply, said MIDF Research.

The government would continue its commitment to high-impact public sector infrastructure and investment projects involving the federal government, government-linked companies and investment funds, said Maybank. The bank highlighted several key projects in the transport sector, the oil and gas project in Pengerang, Johor and development of government land for projects such as the Tun Razak Exchange in Kuala Lumpur.

In transportation, the government is likely to reiterate its commitment to the development of city rail projects and more bus rapid transit projects, said RHB Bank.

Reliance on GLCs

The government may rely heavily on government-linked companies to spearhead the economy via investments and new projects that are financed off-budget, said RHB Bank.

Agricultural sector boost

To improve self sufficiency, the government is expected to introduce measures for the agricultural sector, with investment incentives to focus on agro-business to increase domestic food production, said Maybank and MIDF Research.

Small medium enterprises (SMEs) to get more help

Funding for the Domestic Investment Strategic Fund, a fund to help some Malaysia-owned companies compete in high value-added industries, said AffinHwang Capital.

Reductions in operational expenditure

Cost cuts likely for public services, Kenanga said.

Programmes to raise productivity

Government spending likely to focus on human capital development via education and training, said RHB Bank, AffinHwang and MIDF Research.

Incentives for the private sector to invest in productivity are expected, along with measures to address unemployment, RHB Bank said.

Support for industry

The Federation of Malaysian Manufacturers is asking the government to extend the reinvestment allowance, strictly enforce the 'buy made-in-Malaysia' policy for government procurements and implement trade facilitation measures to help promote export competitiveness and expansion, local media reports.

Transportation subsidy

Subsidies may be introduced for low and middle income earners using public transport, said MIDF Research.

Affordable housing

The government is expected to speed up affordable housing projects for low and middle income groups, said RHB Bank. The bank also expects requirements for affordable housing be loosened by increasing the household income ceiling and reducing minimum holding period from 10 years to five years.

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