

M'sia continues to show fiscal discipline, says Franklin Templeton

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Malaysia continues to show fiscal discipline, having progressively narrowed its fiscal deficit since the global financial crisis to-date and putting in painful measures such as introducing the Goods and Services Tax (GST), reducing fuel subsidies and diversifying its economy, said Franklin Templeton Investments.

The global investment firm said the Budget 2017 aims to strengthen the country's fiscal position through prudent spending while supporting economic growth, and at the same time paying close attention to the well-being of the people.

"It is a fine balance to strike, but if it is well executed it can provide grease to the economic engine to generate economic activities and boost business confidence," its executive director/head Malaysia fixed income & sukuk, Hanifah Hashim, said in a statement.

She said the group believes the actual 2016 fiscal deficit figure will come in at around the low 3.0 percent region, which is still an acceptable rate to international rating agencies given the challenging global economic climate.

The country's fiscal position in the second half of 2016 and into 2017 is also expected to improve as the government has been exploring other revenues, she noted.

"These are signs of a path paved towards a developed economy and in our view, Malaysia remains a competitive economy among its emerging market peers," she said.

The country's trade surplus also remains healthy, with foreign reserves that could support 8.5 months of retained imports, and Gross Domestic Product (GDP) growth for the full year 2016 possibly coming in at 4.0 percent, which would be commendable given a slower global growth.

With weaker domestic demand, weak export data and low inflation, Franklin Templeton expects Malaysia's growth to slow down and monetary policies to continue to be accommodative going into 2017, with the potential of another overnight policy rate (OPR) cut, she added.

"Infrastructure development projects are one of the key fiscal spending that we believe can benefit the economy and the people, if it is targeted and transparently distributed due to its resultant multiplier effect on other sectors such as construction, manufacturing and services.

"Fund raising will also boost the bond and Sukuk market supply, which provides a good hunting ground for investment managers with local portfolios, like Franklin Templeton, to invest in," she said.

- *Bernama*

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