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RM28bil boost for economy

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Measures unveiled in wake of slowdown ahead of Budget

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PETALING JAYA: Less than a month before Budget 2016 is announced, the Government has unveiled measures amounting to more than RM28bil as short and medium term initiatives to keep the momentum of the economy going in the wake of a global slowdown.

The initiatives, which Prime Minister Datuk Seri Najib Tun Razak described as proactive measures to protect the economy from external factors, were targeted at various sectors – from the capital markets to tourism and small and medium enterprises (SMEs).

Stressing that the economy was on track for a growth of between 4.5% and 5.55% this year, Najib said that as an open economy, Malaysia cannot be insulated from external factors.

Apart from the slowdown in China and possible interest rate hike in the United States after nine years that was causing the flow of capital back to developed markets, Najib said the ringgit has also depreciated in value because of the fall in commodity prices such as oil and crude palm oil.

"To minimise the impact of external factors on Malaysia's real economy and keep the momentum going, the Government has decided to take proactive measures for the short and medium term challenges," he said at a press conference.

Topping the list was the revival of ValueCap with a fund of RM20bil to mop up undervalued stocks and bring some level of stability to the stock market. The shareholders of ValueCap are Permodalan Nasional Bhd, Kumpulan Wang Amanah Persaraan Diperbadankan and Khazanah Nasional Bhd.

Shot in the arm: Najib speaking to leaders and the media after attending the Economic Council meeting in Putrajaya.

In an immediate reaction, the benchmark composite index on Bursa Malaysia jumped 36 points – its biggest single day increase in recent months – to close at 1,639.6 points.

Etiqa Insurance & Takaful research head Chris Eng said the announcement has boosted the confidence of investors.

Reading from a prepared text, the Prime Minister said that not all sectors were affected by the depreciation of the ringgit against major currencies.

"The fall in the ringgit has mitigated the impact from the lower crude palm oil prices while local tourism industry has also benefited from the cheaper currency," he said.

Towards this end, the tourism sector received a shot in the arm with easier visa requirements for tourists from China and the development of two key projects amounting to a total of RM5.6bil.

The projects were to enhance Muzium Negara, National Monument and Perdana Lake Gardens in Kuala Lumpur and improve connectivity with KL Sentral.

The project, to be carried out under a public-private partnership, was estimated at RM1.1bil and will start next year with a facilitation fund of RM220mil.

Najib announced an additional RM80mil for promotional activities in selected markets such as Asean, China and India. In addition to that, from Oct 1 to May 31 next year, group tours from China were exempted from a visa requirement.

The Prime Minister said the Government was aware that some sectors were affected by the depreciating ringgit and that it caused an increase in the cost of doing business and required a higher amount of working capital.

In this respect, the Government announced an additional RM2bil for the Working Capital Guarantee Scheme for SMEs.

This was in addition to the existing RM5bil allocated to SMEs in the services sector.

The measures announced were the first since the Government announced the setting up of the Special Economic Committee three weeks ago, headed by Minister in Prime Minister's Department Datuk Seri Wahid Omar.

The mandate of the committee was to immediately strategise measures to strengthen the fundamentals of the economy, stabilise the financial markets and beef up confidence to shore up the capital markets.

The committee was also tasked with identifying issues affecting the growth of the real economy and to come up with solutions.

The Prime Minister pointed out that there were several differences between the situation that Malaysia was facing today compared to that of 1998.

He said the financial and capital markets were in a much healthier state now than they were then.