

Economists predict Budget 2018 will target key BN constituents

MALAY MAIL ONLINE

October 27, 2017

BY SYED JAYMAL ZAHIID

KUALA LUMPUR, Oct 27 — Economists expect Prime Minister Datuk Seri Najib Razak to table a Budget for 2018 with more spending aimed at support bases crucial to the ruling Barisan Nasional.

Najib yesterday dropped broad hints about the contents of his Budget, promising it would be inclusive and consider the needs of all groups while striving to prepare the economy for the coming Industry 4.0.

Economists envisaged more allocations for rural development as well as the expansion of direct assistance programmes like the popular 1 Malaysia People's Aid (BR1M) on the back of higher revenue forecasts from a stabilising global market.

Najib is also expected to announce more measures to help segments such as the urban poor and civil servants cope with rising prices in the country.

“Given that the government is likely to have a slightly higher projected revenue for next year... they can balance the budget and the same time increase its allocation,” Yeah Kim Leng, professor of economics at Sunway University Business School, told Malay Mail Online.

“Particularly for addressing key concerns like cost of living, access to healthcare, education and especially rural development,” he added.

Rural voters form the bulk of support for the ruling coalition, which has not lost an election since Independence.

Despite being smaller in numbers, the weight of one rural voter can be six times that of his urban counterpart since rural constituencies tend to be smaller and were more numerous.

In 2013 rural seats made up more than 80 per cent of the 222 contested seats.

As such, economists believe Najib would lock in much of the resources in states like Sabah and Sarawak. The two states, the latter rich with oil, are among the poorest in the country and yet have remained staunchly loyal to BN, providing a buffer when the Opposition made gains in the peninsula in the two previous elections.

“Rural development will get a lot of focus especially Sabah and Sarawak since they lack public amenities... so those kinds of allocations will likely be more broad based this time given that the government is going to spread out more goodies to reach as many target groups as possible,” Yeah said.

The last two Budgets saw little incentive for the middle class despite growing inflationary pressure stemming from the implementation the goods and services tax (GST) in 2015 and the removal of subsidies for fuel and essential goods on top of increased toll and public transportation fares.

Observers believe cost of living will dominate the election campaigns especially for the urban voters, the most hit by soaring prices.

Najib announced a slew of tax breaks in response but several surveys show these have not quelled the unhappiness. However, economists predict the PW was unlikely to announce a reduction to personal tax rates when he tables the 2018 Budget tomorrow.

“We are not holding our breath for personal income tax cut, but expect further reviews of personal income tax reliefs instead as there are still reliefs that have not been changed for quite some time,” analysts at Maybank Investment wrote in a note on Budget 2018.

The Najib administration has allowed up to RM9,000 in tax relief for individual taxpayers since 2011 and up to RM6,000 in relief for life insurance premium/approved fund contribution/private pension fund since 2012. It also gave up to RM3,000 in tax relief for those paying for their education.

But Najib could announce a “one-off” special personal income tax relief for middle-income taxpayers in order to bolster support, the Maybank analysts predicted, noting that he made the same move in 2013 and 2015, respectively the year the 13th general election was held and the year the GST was introduced.

The prime minister is also expected to roll out further measures to address the country’s affordable housing problem, another issue that is set to headline election campaigns from both sides.

Yeah said Budget 2018 could see the government pump more money into affordable housing while others expect Najib to introduce a “rent-to-own” scheme or allocate funds for end-financing for first time home buyers.

Malaysia could see a housing shortage of up to a million units in three years; time as supply continues to lag behind growing demand, Bank Negara Malaysia deputy governor Shaik Abdul Rasheed Abdul Ghaffour warned in June.

Najib will table the Budget for 2018 in Parliament at 3.30pm.

COPYRIGHT © 2017 MALAY MAIL ONLINE

Source: <http://www.themalaymailonline.com/malaysia/article/economists-predict-budget-2018-will-target-key-bn-constituents#itqMjTYRawUTtpiM.97>