Economic Research

KDN No.: PP14787/11/2010(026023)

MALAYSIAN RATING CORPORATION BERHAD
(364803-V)

Vol.: ER/018/2010

Budget 2011: Handing over the reins to the private sector

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Overview

The measures proposed in Budget 2011 are primarily intended to ensure that the government is on track to generating sustainable growth, a precondition set out in the Economic Transformation Program (ETP) and the New Economic Model (NEM) to achieve the ultimate goal of becoming a high-income economy by 2020. Other measures unveiled by the Prime Minister in Budget 2011 are aimed at intensifying human capital development and enhancing quality of life, as well as strengthening public service delivery.

MARC opines that the overall budget can be considered mild, as the government walks the tightrope between addressing thorny issues such as weak private investments, a persistent budget deficit and rising living costs and supporting the economy. As such, there was little mention of the measures to narrow the worrisome yawning budget gap which has persisted for 12 years. MARC feels that this is the right approach at this juncture, as the threats arising from weaknesses in the developed economies outweigh the need to reduce the budget gap for a small and open economy like Malaysia.

Indeed, although somewhat buoyed by the strength of emerging economies, the global economy is still buffeted by the developed nations' stubbornly high unemployment, significant budget deficits and astronomical levels of government debt. In the face of such challenges, Budget 2011 contains measures to boost the economy's resilience in the next year through high-impact projects that include the development of the Kuala Lumpur International Financial District (KLIFD), a collaboration between 1Malaysia Development Berhad and the investment arm of the government of Abu Dhabi, the Mass Rapid Transit (MRT) in the Greater KL National Key Economic Area (NKEA) and the development of 2,680 acres of Malaysian Rubber Board land in Sungai Buloh. The surprise, however, was the announcement of the development of another iconic landmark called *Warisan Merdeka* which, when completed in 2015, will be the tallest building in Malaysia, towering over even the 88-storey Petronas Twin Towers at 100 storeys.

We are also upbeat about some of the measures meant to support private consumption, as such efforts should keep consumers on the High Street and help sustain economic growth in the short term. The reduction in import duties of 300 preferred consumer items and aggressive initiatives to promote tourism augur well for the government's intention to encourage consumer spending and generate foreign-exchange earnings. While the imposition of a higher service tax (6% from the present 5%) is viewed in a negative light by some quarters, we opine that such a minuscule increase will not crimp private consumption, especially when the government has decided to postpone the implementation of the goods and services tax (GST) for the time being.

Commendably, the government took notable steps to reduce the *rakyat*'s financial burden - it issued a decree that toll rates for four PLUS highways will not be raised for the next five years while raising the maximum housing loan eligibility for civil servants and improving the welfare benefits for *orang asli* and disabled individuals. While the news flow suggested that more measures would be provided to help ease the burden of rising living costs, we noted that many incentives had been handed out in the past two years, including two consecutive years of reductions in income-tax rates for the top brackets as well as a similar reduction for the middle-income bracket in Budget 2009. In addition, personal tax relief was raised by RM1,000 in last year's Budget.

On the issue of PLUS toll rates, we are of the view that it was a good move in the context of the impending privatisation of PLUS, as this would help the government achieve its objective of keeping toll rates affordable without having to subsidise them. Nonetheless, we think that the five-year freeze in toll-rate hikes will affect the parity of toll charges across the country. Perhaps the government will offer more clarity on what will be done with the rate structure of the other toll concessions in the coming month.

Long-term measures that were proposed to strengthen the fundamentals of the Malaysian economy came as no surprise. The continued emphasis on education and the intention to bring back talents from abroad are positive moves. However, on the education part, we feel that more measures should be institutionalised to cultivate stronger relationships between higher-education centers and industry players, which are woefully lacking at present. This is to ensure that our education system will able to support the government's aspirations to build an innovative economy.

On the measures to enhance the development of the domestic capital market, MARC is of the view that further announcements of infrastructure projects will stimulate financing needs considerably via the debt market. Notwithstanding this, we still think that opportunities for issuers rated along the "A & Lower" rating band to tap the debt market would remain limited, judging from the low take-up rate post-global financial crisis as a result of investors' risk aversion. We are also of the view that the opening of Malaysia's bond market to retail investors will enhance the investor base in this asset class, and will become the milestone in revitalising the domestic bond market. Indeed, we foresee that retail investors who have invested mainly in equities in the past will now add fixed-income instruments to their investment portfolios. *Sukuk*/bonds, perceived as low-volatility investment instruments, may help to improve investors' portfolio performance on a risk-adjusted basis and even provide a welcome avenue for portfolio diversification.

As valuations in fixed-income investments differ from those of equities which retail investors are more acquainted with, proper awareness on credit risk assessments should be created. In addition, MARC believes that retail investors need to be provided with a benchmark index to gauge the bond market's performance in a timely and effective fashion, just as the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) does for equity investors.

MARC opines that the government's overall macro assessment is reasonable. Its growth expectation is in line with ours, with the government expecting some moderation in the global growth momentum. However, we remain concerned about the possibility of rising protectionism among countries that will eventually weigh on global trade. In addition, the strengthening of the ringgit, should it continue, will not augur well for Malaysia's export sector. Nonetheless, private consumption will likely save the day, as it looks set to remain resilient due to stable labour-market conditions, bullish sentiment in the equity market, strong commodity prices and rising prices in the property sector. We also foresee the government achieving an improved financial position, with the budget deficit to decline below 5% of GDP due to stronger revenue collection and tepid expenditures. In addition, we opine that the government's debt position will remain favourable at 53% of GDP in 2011, and Malaysia's long-term growth trajectory will likely improve if efforts to rake in investments bear fruit.

Budget 2011: Main thrusts and allocation

Budget 2011 focuses on laying a foundation for the NEM and the implementation of the Tenth Malaysia Plan (10MP) with greater participation from the private sector in order to transform the country into a developed and high-income economy. It incorporates four major strategies:

- **Reinvigorating private investment**

  The government has played a major role in charting the Malaysian economy, particularly after the 1997/98 Asian Financial Crisis which saw the nation's fiscal deficit ballooning from 1.7% of GDP in 1998 to 5.5% in 2000. Therefore, it is imperative for the private sector as the main engine of growth to spur economic development to greater heights. To this end, the 10MP and the 12 NKEAs will position the private sector to take centre stage, with total investments to exceed RM1.3 trillion and 3.3 million job opportunities to be created.

- **Intensifying human capital development**

  Malaysia's human capital will need to be nurtured to achieve sustainable growth, as over-reliance on fast-depleting non-renewable natural resources could be catastrophic for the next generation. In this light, quality, skilled, knowledgeable, creative and innovative human capital is a necessary prerequisite for propelling the country to developed, high-income status.

- **Enhancing quality of life of the *rakyat***

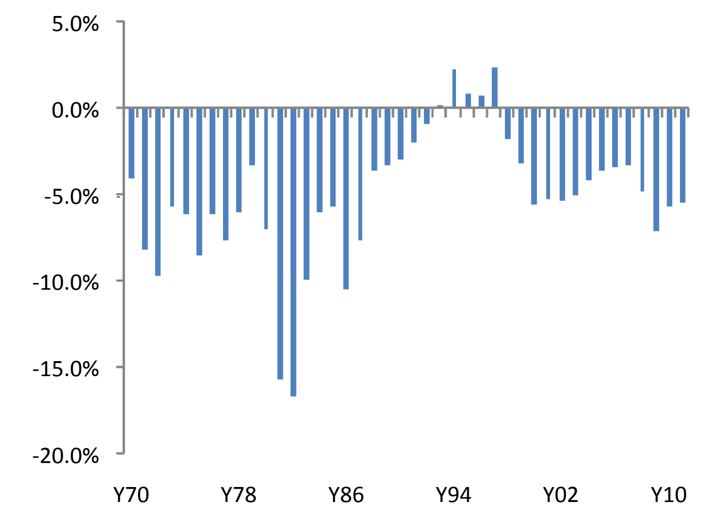
  In an effort to become a developed and high-income nation, it would be unwise if the fruits of economic development are not evenly distributed to the people. More balanced development, as espoused by the NEM, will enhance quality of life and ensure sustainable growth in an inclusive manner. To this end, special attention will be directed to the low-income group as well as the less fortunate of society.

■ **Strengthening public service delivery**

In order to enhance the private sector's participation in the economy, dealings with government agencies should be simplified. To this end, it is imperative that the government machinery, comprising 1.2 million civil servants, be mobilised in a manner that will achieve greater efficiency and higher productivity.

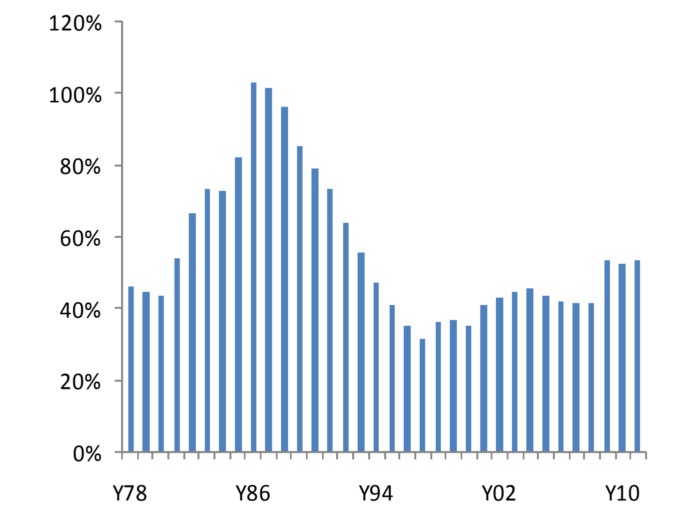
In conformance with expectations, the total allocation is higher for Budget 2011, amounting to RM212.0 billion, 2.8% more than the revised allocation of RM206.2 billion for Budget 2010. Operating expenditure accounts for approximately 78% (RM162.8 billion), while RM49.2 billion (or 22% of the total expenditure) will go towards development expenditure. Despite such increases, government finances appear intact, with the budget deficit as a percentage of GDP expected to decline further from 5.6% (RM43.3 billion) to 5.4% (RM45.5 billion) in 2011, and will be made possible by higher revenue growth of 2.3% (RM165.8 billion), led by higher direct taxes of 10.7% in 2011 (2010: -3.9%). Of this amount, petroleum taxes are expected to register double-digit growth of 19.1% in 2011 after the sharp decline of 32.8% in 2010. We do not expect government debt figures to be alarming, as the debt-to-GDP ratio is expected to be approximately 53% in 2011 (2010: 52.7%) following strong expansion in nominal GDP.

Chart 1: Fiscal deficit as a % of GDP



Source: CEIC

Chart 2: Government debt as a % of GDP



Source: CEIC

Macroeconomic assessment

■ Short-term hiccups will not derail overall recovery

The government is anticipating a normalisation in the growth of the Malaysian economy after a sharp turnaround in 2010. GDP will grow by between 5% and 6% in 2011, after the estimated 7% in 2010 following a sharp rebound in the global economy in the first half of the year. Growth momentum is expected to taper off in the second half of 2010 and in 2011 following weaker global trade as a result of lacklustre performance of the Group of 3 (G3) countries.

The challenging prospects of the global economy are reflected in the International Monetary Fund's (IMF) latest issue of *World Economic Outlook* released in October 2010, which made a significant downward revision of the US economy's growth from 2.9% to 2.3% due to the country's weak labour market, as evidenced by the prevailing unemployment rate hovering around the 10% mark. In addition, abysmal growth prospects of the Euro economies as a result of deep austerity measures undertaken to tackle worryingly high budget deficits, coupled with the continued deterioration in Japan's economic outlook, will ensure that the global economy will continue to trudge along at a snail's pace in the foreseeable future.

However, all is not lost - the onus now rests on the emerging economies to provide the crucial support to the ailing global economy. China's economy is still sizzling, and is expected to expand close to 10% in 2011, according to the IMF forecast, while India's economic momentum is slowly reverting to its long-term trajectory. Notwithstanding such developments, Asian economies are now struggling with massive destabilising capital inflows that have dramatically driven up the values of their currencies, equities and properties as international investors seek higher returns in the emerging countries, given the low-interest-rate regime practised in much of the developed world.

Looking at the demand side of the Malaysian economy, consumers are expected to propel private consumption, which is projected to expand by 6.3% in 2011 after growing by an estimated 6.7% in 2010. The stable labour market, surging equity market, strong commodity prices and rising property prices are important factors that will support consumer spending going forward. Private investment will chart positive growth, albeit at a slower pace of 10.2% in 2011 after the estimated 15.2% expansion in 2010, as risk aversion among investors declines and efforts by the government to bring in private investments start to show positive results.

On the supply side, manufacturing-sector activity will likely moderate but still register commendable growth of 6.7% due to demand from emerging economies that will partially offset the contraction of the same in the developed countries. The services sector is also expected to benefit from an uptrend in business and consumer sentiment, and is forecast to grow by 5.3% after expanding by an estimated 6.5% in 2010. The construction sector will continue to be boosted by the relatively large development expenditure and the implementation of some mega projects, as outlined in Budget 2011. The sector is projected to register a 4.4% expansion in 2011, after the estimated 4.9% expansion this year.

Table 1: GDP growth forecast

Demand side		MARC		Ministry of Finance	
Growth (Real)	**2009**	**2010E**	**2011F**	**2010E**	**2011F**
GDP	-1.7%	6.8%	5.0%	7.0%	5.5%
Domestic Demand	-0.5%	5.8%	5.1%	6.9%	5.8%
Consumption Expenditure	1.2%	4.9%	4.7%	5.4%	6.0%
Private Consumption	0.7%	5.7%	5.6%	6.7%	6.3%
Public Consumption	3.1%	1.8%	1.0%	0.2%	4.6%
Investment	-5.6%	8.8%	6.6%	11.6%	5.3%
Private Investment	-17.2%	8.5%	7.9%	15.2%	10.2%
Public Investment	8.0%	9.1%	5.5%	8.3%	0.6%
Exports	-10.4%	12.8%	8.3%	11.6%	6.7%
Imports	-12.3%	17.6%	9.0%	16.6%	7.2%

Source: MARC Economic Research

■ Our forecasts versus the government's

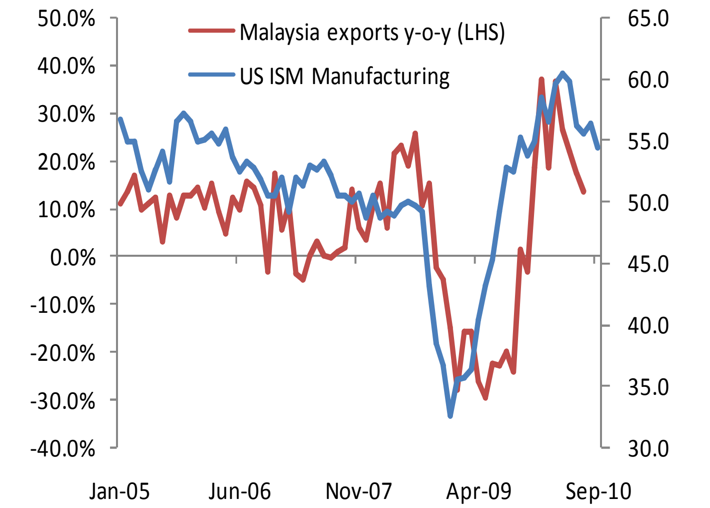
We concur with the government's GDP growth projection for 2011, as we foresee some moderation in the external trade performance. Our GDP estimate for 2011 is slightly lower, but almost in line with the government's forecast of a 5% to 6% expansion. However, MARC is slightly concerned about the possibility of greater volatility in global trade, as disparity between currency values of developed and emerging economies lead to rising adoption of protectionist policies.

As for inflation, we are also anticipating a gradual increase in inflation rate to an average of 3.0% in 2011 from a revised forecast of 2% for 2010, following higher commodity prices, stronger growth in private consumption, and the mild impact of the reduction in selected subsidies.

Strong capital inflows will keep the ringgit relatively strong in the immediate term. We are holding to our view published at the beginning of the year that the ringgit will average between RM3.20 and RM3.30 against the US dollar (USD) in 2010 (the ringgit is averaging RM3.25 against the greenback in the year to date). Going forward, with a continuous slide in the USD due to expectations of a resumption of quantitative easing by the US Federal Reserve Bank (the Fed) and the massive inflows into the Malaysian financial market, we foresee the ringgit to average between RM3.00 and RM3.10 in 2011.

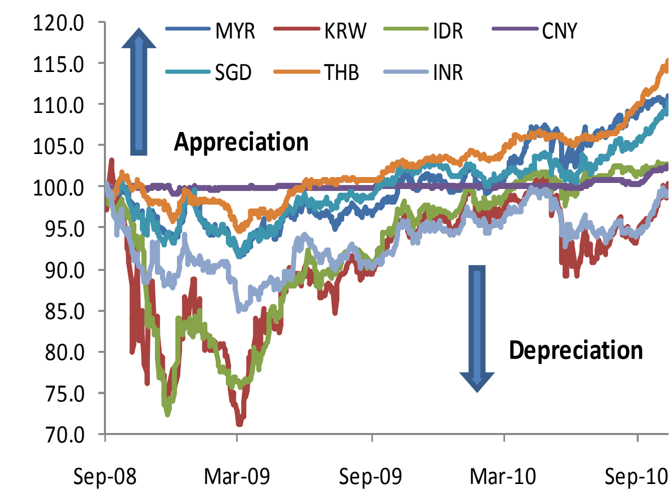
Although higher inflation and a steady growth will likely lead to a higher overnight policy rate (OPR), we are of the opinion that a sharp increase in the OPR will only induce more capital inflows and complicate liquidity management, as was the case in 1994. The massive inflows induced a significant shift in the direction of capital in favour of higher growth and returns from emerging economies. As such, we foresee the OPR will remain at the current level of 2.75% until sometime in 1H2011, and any changes to the rate in 2H2011 will be data-dependent.

Chart 3: Malaysia exports vs. US ISM Manufacturing



Sources: CEIC & Bloomberg

Chart 4: Asian currencies (Sep 2008 = 100)



Sources: Bloomberg & MARC Economic Research

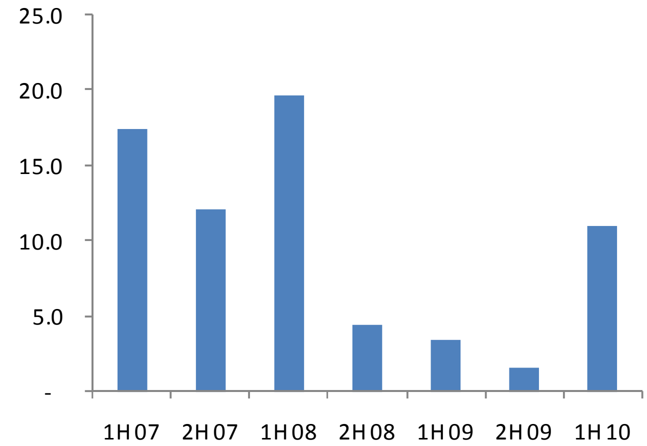
Major issues

- **Reinvigorate private investments**

As we are aware, one of Malaysia's key structural issues is the poor performance of private investment as evidenced by its declining percentage to GDP from approximately 30% prior to the Asian Financial Crisis to around 11% at present. As a result, economic growth decelerated to an average of 5.5% between 2000 and 2008 from an average of over 9% in the 1990s. As inflows of foreign direct investment (FDI) have been volatile in recent years, Malaysia needs to boost its domestic investments. To this end, the ETP was launched to identify the areas where such investments can yield the highest multiplier effects for the economy.

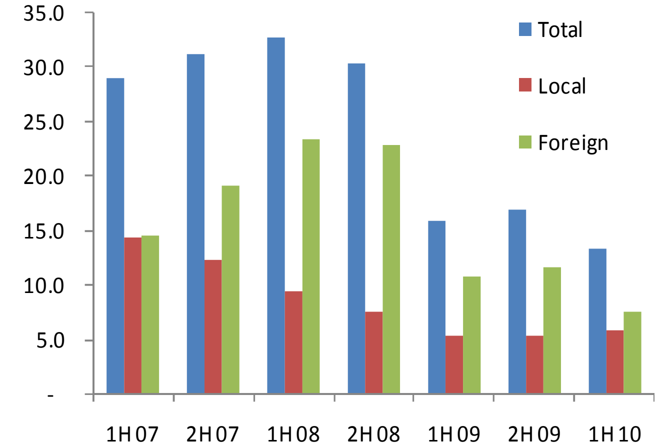
As such, most measures proposed in Budget 2011 were primarily intended to boost private investment, including such high-impact projects as the development of the KLIFD, a collaboration between 1Malaysia Development Berhad and the investment arm of the government of Abu Dhabi, the MRT in the Greater KL NKEA, and the development of 2,680 acres of Malaysian Rubber Board land in Sungai Buloh. The surprise, however, was the announcement of the development of another iconic landmark called *Warisan Merdeka* which, when completed in 2015, will be the tallest building in Malaysia, towering over even the 88-storey Petronas Twin Towers at 100 storeys.

Chart 5: Foreign direct investment (RM billion)



Source: CEIC

Chart 6: Manufacturing inv. approval (RM billion)



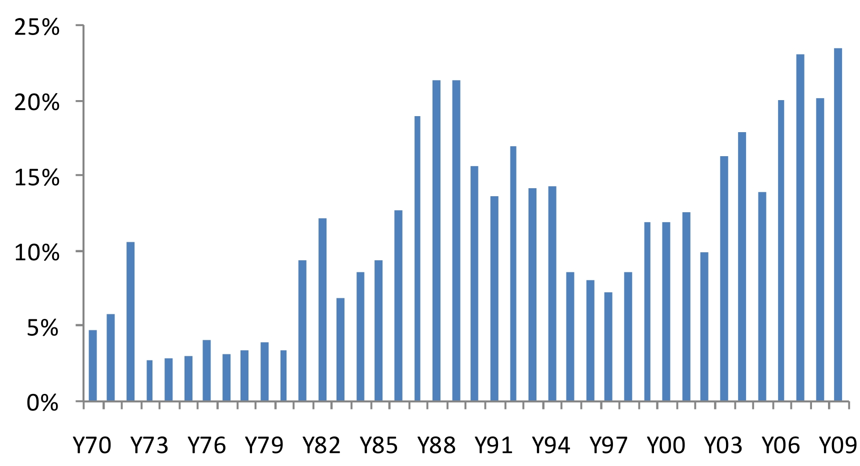
Source: CEIC

■ Relieve pressure on government coffers

Although measures to reduce the budget deficit were lacking in Budget 2011, the government made its continued commitment to strengthening the nation's financial position crystal clear. Drastic measures to reduce volatility were shunned in favour of an approach that will create value for money and promote value management instead through efforts such as open-tender and restricted-tender systems to spur competition for best design of government projects. In addition, the government will strengthen the revenue collection system by increasing enforcement, audits as well as coverage of all parties that should be paying taxes.

The hiving-off of government equity stakes in government-linked corporations will also add to the government's coffers and introduce needed liquidity in the equity market to entice foreign investors. To a large extent, this can also be a means of reallocating government resources for more productive uses to yield higher multiplier effects. However, as we have mentioned in our Pre-Budget 2011 report, the one-off revenue generation from such exercises will result in high opportunity costs of lost stable income streams. Indeed, the share of investment interest and returns, constituting part of the indirect taxes collected by the government, has been steadily rising from 4.8% in 1970 to 23.6% in 2009.

Chart 7: Share of investment interest & returns of total government revenue



Sources: CEIC & MARC Economic Research

As a whole, however, MARC believes that higher revenues in 2010 and 2011 following stronger economic growth and better expenditure management will result in a lower-than-expected budget deficit in the next year. We project the budget gap to shrink to below 5% of GDP in 2011 from the estimated 5.6% this year.

Table 2: Federal government finances (RM Million)

	% chg	2008	% chg	2009	% chg	2010	% chg	2011
Revenue	14.2%	159,793	-0.7%	158,639	2.2%	162,131	2.3%	165,825
Operating Expenditure	24.7%	153,499	2.3%	157,067	-3.1%	152,158	7.0%	162,805
Gross Development Expenditure	5.6%	42,847	15.6%	49,515	9.1%	54,042	-9.0%	49,182
Overall Deficit	72.3%	-35,594	33.2%	-47,424	-8.6%	-43,338	4.9%	-45,481
Percentage of GDP		*-4.8*		*-7.0*		*-5.6*		*-5.4*

Source: Economic Report 2010 / 2011

■ Sustain private consumption

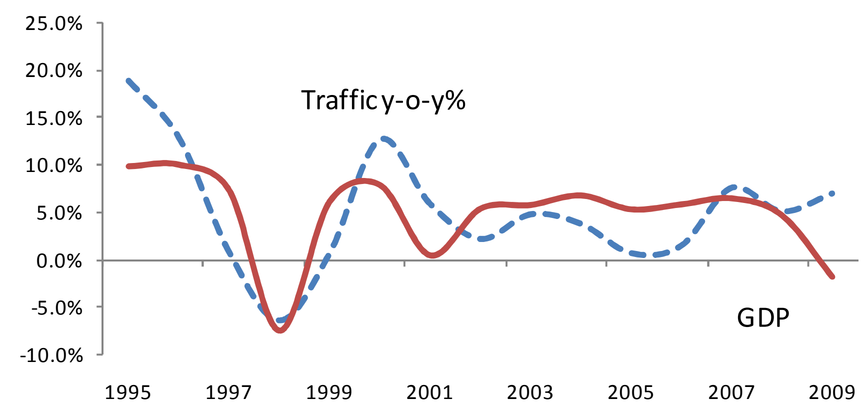
We are bullish on some of the measures introduced to support private consumption, as we feel that such efforts will keep consumers on the High Street and help sustain economic growth in the short term. The reduction in import duties of 300 preferred consumer items and further efforts to promote tourism augur well for the government’s intention to spur consumer spending and generate foreign-exchange earnings. While the move to impose a higher service tax of 6% (from the current 5%) is deemed slightly negative by some quarters, we are of the view that such a minuscule increase will not hamper private consumption, especially when the government has announced its decision to postpone the implementation of the GST for the time being.

■ Help ease the people’s burden

The government took several steps to reduce the burden on the *rakyat*, including ensuring that toll rates for four PLUS highways will not be increased in the next five years, raising the maximum housing loan eligibility for civil servants, and improving the welfare benefits for *orang asli* and disabled individuals. In addition, to address the need to ensure minimum pay for the lowest-paid workers, the government formed the National Wage Consultation Council which will comprise representatives from employers, trade unions, non-unionised employees, government agencies, academia, NGOs and individuals. The council has been tasked to determine the rate and mechanism of minimum wages for various economic sectors. Additionally, minimum wages for security guards will be increased to between RM500 and RM700 a month depending on location from January 2011, from between RM300 and RM400 currently.

While the news flow suggested that more measures would be provided to help ease the burden of rising living costs, we noted that many incentives had been handed out in the past two years, including two consecutive years of reductions in income-tax rates for the top brackets, as well as a similar reduction for the middle-income bracket in Budget 2009. In addition, the personal tax relief was raised by RM1,000 in last year’s Budget.

Chart 8: PLUS traffic growth vs. GDP growth



Source: MARC Economic Research

■ Strengthen the capital market

The government continued its efforts to ensure that Malaysia's Islamic capital market will possess a distinctive edge that is especially necessary in view of stiff competition from neighbouring countries like Singapore and Indonesia. To enhance the Islamic capital market, Budget 2011 has proposed that Bursa Malaysia launch *sukuk* and conventional bonds to meet retail investors' demand for fixed-income instruments to boost the bond market. In addition, the government proposed that expenses arising from the issuances of Islamic securities which adopt the principles of Murabaha and Bai' Bithaman Ajil based on tawarru' be accorded tax deductions and *takaful* contributions for export credit be given double tax deductions.

MARC opines that further announcements of infrastructure projects will stimulate financing needs considerably via the debt market. Notwithstanding this, we still think that opportunities for issuers rated along the "A & Lower" rating band to tap the debt market would remain limited, judging from the low take-up rate post-global financial crisis as a result of investors' risk aversion. We are also of the view that the opening of Malaysia's bond market to retail investors will enhance the investor base in this asset class, and will become the milestone in revitalising the domestic bond market. Indeed, we foresee that retail investors who have invested mainly in equities in the past will now add fixed-income instruments to their investment portfolios. *Sukuk*/bonds, perceived as low-volatility investment instruments, may help to improve investors' portfolio performance on a risk-adjusted basis and even provide a welcome avenue for portfolio diversification.

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Budget 2011 Measures

FIRST STRATEGY: REINVIGORATING PRIVATE INVESTMENT

- Allocation of RM1 billion from the Facilitation Fund to be invested in Public-Private Partnership (PPP) initiatives. Projects include construction of highways, a gas power plant as well as educational facilities and healthcare centres.
- Selling of equity stakes by government-linked investment companies (GLIC) in major companies listed in Bursa Malaysia. Subsequently, GLICs will be allowed to expand its overseas investments. For example, the Employees Provident Fund (EPF) will increase its exposure to overseas investments from 7% to 20% of total assets.
- A total of RM857 million will be spent for local electrical and electronics (E&E) companies to invest in high value-added activities.
- A sum of RM146 million will be allocated to support the oil and gas sector, especially for downstream activities. Projects include the establishment of an oil field services and equipment centre and a regasification plant in Johor and Melaka respectively.
- Extension of Pioneer Status and Investment Tax Allowance generation of renewable energy until 31 December 2015.
- Exemption on import duty and sales tax on equipment for the renewable energy generation until 31 December 2012.
- Tax exemption on the income derived from trading of Certified Emission Reductions certificates to be extended until year of assessment 2012.
- Full import duty and 50% excise duty exemption was granted to franchise-holders of hybrid cars as well as hybrid and electric motorcycles up to 31 December 2010. To further encourage ownership of hybrid cars, import duty and excise duty exemption will be extended until 31 December 2011 with excise duty to be given full exemption.
- The Blending of Biofuels with Petroleum Diesel Programme (B5 Programme) will be made mandatory in Putrajaya, Kuala Lumpur, Selangor, Negeri Sembilan and Melaka from June 2011.
- The implementation of Feed in Tariff (FiT) mechanism under the Renewable Energy (RE) Act to allow electricity generated from RE by individuals and independent providers to be sold to electricity utility companies.
- A total of RM3.8 billion will be allocated to the agricultural sector for improving productivity levels. This may include upgrading the drainage and irrigation system and developing Aquaculture Zones in Sabah and Sarawak. Apart from that, income tax deduction for investors and companies will be extended for another five years until 2015
- RM85 million to construct hotels and resorts in remote areas; RM50 million for shaded walkways in the KLCC-Bukit Bintang vicinity; the Department of Civil Aviation to Civil Aviation Authority will be restructured; and RM3 billion for Nexus Karambunai park to develop an integrated eco-nature resort. To support the tourism industry, the Government will allocate RM100 million.
- Import duty on approximately 300 goods abolished.
- A RM297 million fund to enhance productivity by encouraging replanting activity to replace aged oil palm trees; RM127 million to support domestic oleo derivatives companies; RM23.3 million to expand downstream palm oil industries, including production of vitamins.
- RM119 million MY Creative Content Programme to encourage the development of local content creation, hosting local content and unlocking new channels for content.
- Investment allowance period for the last mile broadband service providers to be extended, while import duty and sales tax exemption on broadband equipment are also extended until 2012.

- Sales tax exempted on all types of mobile phones.
- RM91 million for capacity building in the maintenance, repair and overhaul (MRO) services industry, aerospace and aeronautical engineering training programmes as well as promotion of business outsourcing services at Sultan Abdul Aziz Shah Airport, Subang.
- RM850 million for corridor and regional development - RM339 million for Iskandar Malaysia, RM133 million for the Northern Corridor Economic Region, RM178 million for the East Coast Economic Region, RM93 million for Sarawak Corridor of Renewable Energy (SCORE), and RM110 million for Sabah Development Corridor.
- RM411 million for R&D and commercialisation activities in 2011.
- The RM71 million Special Innovation Unit (UNIK) under the Prime Minister's Department to formulate policies and strategies for a conducive ecosystem to drive innovation.
- New Insolvency Act to consolidate the Bankruptcy Act 1967 and Part 10 of the Companies Act 1965, including introduction of a provision relating to relief mechanisms for companies and individuals with financial problems. The current minimum bankruptcy limit of RM30,000 will be reviewed.
- RM200 million is allocated to purchase creative products such as high quality locally produced films, dramas and documentaries.
- Service tax to be increased from 5% to 6%, and will be imposed on paid television broadcasting services.

SECOND STRATEGY: INTENSIFYING HUMAN CAPITAL DEVELOPMENT

- RM29.3 billion for Ministry of Education, RM10.2 billion for Ministry of Higher Education and RM627 million for Ministry of Human Resource to improve educational standards.
- Talent Corporation (Talent Corp) under the Prime Minister's Office to formulate a National Talent Blueprint and develop an expert workforce database in early 2011.
- RM6.4 billion to build and upgrade schools, hostels, facilities and equipment, as well as uphold the status of the teaching profession. RM213 million to reward high-performance schools as well as for the remuneration of Principals, Head Teachers and Excellent Teachers.
- Pre-school enrolment rate to be raised to a targeted 72% by end-2011 through an additional 1,700 classes, strengthening the curriculum and appointing 800 pre-school graduate teachers.
- RM111 million for PERMATA programme, including the construction of the second phase of Sekolah PERMATA Pintar School Complex, 32 PERMATA Children Centres (PAPN) and financing operations of 52 completed PAPNs as well as continuing PERMATA Pintar, Seni, Insan and Remaja Programmes.
- RM250 million for development expenditure to religious schools, Chinese-type schools, Tamil national schools, missionary schools and government-assisted schools nationwide.
- RM95 million for primary and secondary *rakyat* religious schools.
- RM576 million in scholarships for teachers and instructors wishing to further their studies.
- RM213 million to enhance proficiency in Bahasa Malaysia and English as well as streamline the Standard Curriculum for Primary Schools (KSSR). Three hundred and seventy-five native-speaking teachers from the UK and Australia will be hired to further enhance teaching of English.
- RM20 million to increase PhD qualified academic staff to 75% in research universities and to 60% in other public institutions of higher learning.
- Lecturers to be considered for promotion to the highest grade of Staff III, II and I as well as conferred Premier Professors without holding administrative positions.

- RM60 million to further intensify the Industrial Skill Enhancement Programme in State Skills Development Training Centres, and RM220 million to ensure graduates from other fields can enhance their competence and employability. RM50 million to Multimedia Development Corporation to train graduates in ICT.

- RM474 million to enhance productivity and skills of non-graduates, including school leavers, youths and workers.

- RM500 million 1Malaysia Training Programme to commence in January 2011 - RM200 million to conduct part-time training in the evenings and weekends in selected training centres nationwide, RM200 million from the Human Resource Development Fund for companies to fund specific training programmes for employees, RM100 million to enable employees to enhance skills in various technical fields.

- National Wage Consultation Council to comprise representatives from employers, trade unions, non-unionised employees, Government agencies, academia, NGOs and individuals to determine the rate and mechanism of minimum wage - minimum wages for security guards to increase to between RM500 and RM700 a month depending on location from January 2011, from RM300 and RM400 currently.

- Number of foreign workers to be reduced by increasing the levy in stages according to sector; mandatory health insurance for foreign workers.

- RM30 million for the Single Mother Skill Incubator Programme and the Prime Entrepreneur and Women Activist Award in conjunction with Women's Day commencing 2011 to enhance women's participation in entrepreneurship.

- The Work Regulations (Part-Time Workers) 2010 enforced on 1 October 2010 to encourage the participation of more women as part-time workers; Small Office Home Office programme to train disabled women in various skills for a period of three months.

- 40 1Malaysia TASKA to assist women to obtain quality childcare and early education for their children.

- Flexibility to self-determine fully-paid maternity leave, not exceeding 90 days from the current 60 days, subject to a total of 300 days of maternity leave throughout the tenure of service.

- RM365 million to the Ministry of Youth and Sports for sports development and management. A RM20 million Football Academy in Pahang to produce quality and highly skilled football players.

THIRD STRATEGY: ENHANCING QUALITY OF LIFE OF THE RAKYAT

- RM1.2 billion allocation to the Ministry of Women, Family and Community Development for welfare assistance for senior citizens (RM166 million), children's assistance programme (RM121 million) for quality childcare and early education for 97,000 children, RM218 million for 80,000 disabled individuals, excise duty exemption be increased from 50% to 100% on national vehicles purchased by the disabled, and an intervention centre to provide employment, housing facilities and counselling for the homeless.

- RM150 million rebate on electricity bill payment for monthly consumption of below RM20.

- Existing tax relief of up to a maximum of RM5,000 extended to cover other expenses such as day care centres, costs incurred to employ caretakers for parents and other daily needs such as diapers.

- RM568 million will be provided to build 300 units under Projek Bantuan Perumahan Bandar, 79,000 units under Program Perumahan Rakyat and 8,000 units under Projek Bantuan Rumah Sewa.

- Skim Pembiayaan Perumahan Kos Rendah (RM50 million allocation) managed by Bank Simpanan Nasional open to all Malaysian permanent estate workers to assist in obtaining housing loans with a maximum of RM60,000 for the purchase of low-cost houses at 4% and repayment period up to 40 years extending to the second generation.

- Skim Rumah Pertamaku through Cagamas Berhad guarantees down payment of 10% for houses below RM220,000 for first-time house buyers with household income of less than RM3,000 per month.

- 50% stamp duty exemption on instruments of transfer on a house price not exceeding RM350,000; stamp duty exemption of 50% on loan agreement instruments to finance such first-time purchase of houses.

- RM6.9 billion to implement basic infrastructure such as water and electricity supply as well as rural roads: rural roads in Sabah and Sarawak (RM2.1 billion) and in Peninsular Malaysia (RM696 million); water and electricity supply in rural areas of Sabah (RM1.5 billion), Sarawak (RM1.2 billion) and Peninsular Malaysia (RM556 million); housing assistance programme to provide housing for the poor and hardcore poor in rural areas (RM300 million) will involve the construction and repair of 12,000 houses nationwide, particularly in Sabah and Sarawak; Unit Khas Bergerak Jabatan Pendaftaran Negara to facilitate rakyat in the interiors of Sabah, Sarawak and Peninsular, to register for citizenship.

- RM974 million in price subsidy for paddy, fertilisers and paddy seeds as well as RM230 million for production incentives and increasing paddy yield, and RM170 million in incentives for fishermen, boat owners and workers to increase fish landing.

- RM100 million for Distribution of Essential Goods Programme for goods such as rice, cooking oil, sugar, flour, gas, petrol and diesel in 2010. For 2011, RM200 million.

- “1Malaysia Smart Consumer" portal to increase awareness of price movements of goods in almost 7,000 business premises nationwide. Can use short messaging services (SMS) to obtain latest information on prices of goods.

- Retail Shop Transformation Programme (TUKAR), Automotive Workshop and Community Market projects to upgrade and modernise facilities with an allocation of RM73 million.

- RM500 million for Projek Penyelenggaraan Aset Awam (better known as PIA/PIAS) for repairing and upgrading of public amenities, drains, drainages, small bridges and rewiring as well as construction of agriculture and kampung roads. This will assist Class F contractors nationwide.

- Monthly allowance for the Chairman of Jawatankuasa Kemajuan dan Keselamatan Kampung (JKKK) and Persekutuan (JKKP), Tok Batin, Chairman of JKKK Orang Asli, Chairman of Kampung Baru increased to RM800 from RM450 currently and will also be extended to the Ketua Kampung Baru Rangkaian and Ketua Kampung Bagan. Meeting attendance allowance to all committee members increased from RM30 to RM50.

- Monthly allowance of Imam raised from RM450 to RM750, KAFA teachers to RM800 from RM500.

- RM100 million to programmes to resolve Orang Asli land rights and border settlement issues as well as formulating a new development model for Orang Asli. Jabatan Hal Ehwal Orang Asli will be restructured and strengthened as Jabatan Kemajuan Orang Asli.

- Toll rates in four highways owned by PLUS Expressway Berhad will not be raised for the next five years, effective immediately.

- RM15.2 billion for new hospitals, more doctors and nurses as well as to obtain supplies of medicines and equipment. Additional 25 1Malaysia Clinics to supplement present 51.

- RM350 million to combat burglary, motorcycle and car thefts as well as promoting safe townships and Voluntary Patrol Scheme in high-risk areas. 25 special courts to expedite prosecution.

- RM70 million for NGOs to strengthen family institution and addressing social ills such as baby dumping, mat rempit and gangsterism.

- RM1.9 billion for environmental preservation projects, e.g. River of Life Programme and greening of Kuala Lumpur. Marine sources and coastal areas including Pantai Siring in Melaka, Pantai Sabak in Kelantan, Teluk Lipat in Terengganu and Rompin in Pahang will be protected.

- Khazanah will next year collaborate with the Ministry of Education to establish 10 Trust Schools to ensure quality education.

- 1MDB will provide multi-vitamins for primary school students and RM20 million to the 1Malaysia Youth Fund to instil the 1Malaysia spirit. 1Malaysia Mobile Clinics with four buses as mobile clinics in collaboration with the Ministry of Health.

FOURTH STRATEGY: STRENGTHENING PUBLIC SERVICE DELIVERY

- MyCoID Gateway utilising the Companies Commission of Malaysia's single reference number has been implemented and will be extended to other ministries and agencies.

- Point system to facilitate applications for permanent resident status (PR); applications for PR may be submitted after 5 years of residence compared with 10 years previously.

- The Stamp Act 1949 amended to enable the Valuation and Property Services Department to assess properties after the payment of stamp duty to the Inland Revenue Board; property registration process reduced from 30 days to one day.

- Competency Level Assessment or PTK abolished and will be replaced with a more suitable evaluation system by June 2011.

- Special Financial Assistance of RM500 from Grade 54 and below, including contract officers and retirees, to be made in December 2010; Funeral Arrangement Assistance increased to RM3,000 from current RM1,000, also extended to retired civil servants; and services of Pegawai Khidmat Singkat (PKS) extended for a year from December 2010. However, Ministries and agencies are not allowed to increase the number of PKS.

- Purchase of properties from parents, children and siblings now allowed; amount of loan raised from RM10,000 to RM20,000 for additional works on low-cost houses for Support Group II; and maximum loan eligibility increased to RM450,000 from RM360,000 currently.

- RM212 billion for the 2011 Budget, 2.8% higher than 2010's allocation - RM162.8 billion for Operating Expenditure (RM45.6 billion for Emoluments, RM28.2 billion for Supplies and Services, RM86.4 billion for Fixed Charges and Grants, RM1.4 billion for Purchase of Assets and RM1.2 billion for Other Expenditures), RM49.2 billion for Development Expenditure (RM28.3 billion for infrastructure, industrial, agricultural and rural development, RM15.5 billion for social sector, including education and training, health, welfare, housing and community development), RM4.4 billion for development of the Security Sector, RM955 million for General Administration and RM2 billion for Contingencies.

- Federal Government revenue collection to increase 2.3% to RM165.8 billion in 2011, from RM162.1 billion in 2010. 2011 Federal Government deficit to further decline to 5.4% of GDP, compared with 5.6% in 2010.

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Published and Printed by:

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