Economic Research

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Budget 2015:
Accelerating Growth, Ensuring Fiscal Sustainability and Prospering the Rakyat

Economics Team led by:

Nor Zahidi Alias
Chief Economist
+603 2082 2277
zahidi@marc.com.my

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In a nutshell

Budget 2015, which was tabled in Parliament this past Friday, 10 October 2014, focuses mainly on accelerating economic growth, strengthening the government's fiscal position, as well as providing the *rakyat* with assistance to ease the burden of rising living costs arising from the impending implementation of the Goods and Services Tax (GST) and further rationalisation of subsidies. With macroeconomic headwinds emanating from the slowdown in the European and Chinese economies as well as bumpy growth rates in the United States (US), Budget 2015 prioritises measures that support private consumption and investments in the face of a continuing moderation of the domestic economy.

In Budget 2015, the government allocated RM273.9 billion for expenditure, the bulk of which (81.6% or RM223.4 billion) is allocated for operating expenses, while the balance (RM50.5 billion) is for development expenditure. With a relatively stable economic growth momentum (estimated to be in the range of 5-6% in 2015), revenue is anticipated to climb by 4.5% to reach RM235.2 billion. The implementation of the GST is expected to rake in RM5.6 billion, of which RM4.9 billion will be channelled back to the *rakyat* through various assistance programmes to help them cope with the rising cost of living. The Ministry of Finance (MoF) anticipates the overall fiscal deficit to decline to 3.0% of gross domestic product (GDP) in 2015 from an estimated 3.5% in 2014, in line with the government's long-term target.

On the overall macro assessment, MARC feels that MoF's GDP growth forecast of between 5% and 6% for 2015 is realistic, although our forecast of 5% is at the lower end of the government's estimate. We think that downside risks could emanate from the repercussions of the GST and subsidy rationalisation measures, as well as decelerating lending growth by financial institutions on consumer spending following a series of macro-prudential measures already implemented by Bank Negara Malaysia (BNM). Private consumption has evidently moderated by 2.9 percentage points since hitting its peak in 2Q2012. In addition, we do not rule out the possibility of weaker export growth if external headwinds prove stronger than expected.

On the GST, we maintain our view that the overall impact on consumer prices could be more pronounced than anticipated, especially if measures to curb profiteering activities under the Price Control and Anti-Profiteering Act 2011 (PC&APA 2011) are not strictly enforced. While the government's move to add more consumer items under the zero-rated category is somewhat positive for low-income consumers, it may not totally prevent businesses from raising their prices to compensate for the narrower margins resulting from selling GST-exempt goods, if the implementation of the PC&APA 2011 is not strictly enforced. We still expect Consumer Price Index (CPI) growth to breach 5% at some point in 2015, although we believe that the overall average will be somewhere between 4.5% and 5%. Notwithstanding this, we take comfort in the government's move to strengthen the GST Enforcement Unit, Price Monitoring Unit and Consumer Squads to prevent price manipulation by businesses, although more comprehensive information on initiatives to prevent significant price increases should have been provided to consumers by now to alleviate their anxiety levels.

The fact that the timeframe of the GST has been maintained is positive despite some speculation of a delay in its implementation. The extensive measures to mitigate the impact of its introduction on consumers show the commitment of the government in getting it off the ground. The increase in the amount of the 1Malaysia People's Aid (BR1M) payout for households with income levels of RM3,000 per month and below was already anticipated by us, while the cash assistance for those with income levels between RM3,000 and RM4,000 per month which was also raised by RM300 came as no surprise. The move to provide a relief from the payment of the GST on RON95 and diesel was also expected, as the government had already raised their prices in the first week of October by RM0.20 per litre to compensate for the GST removal.

We view the impact of the GST on government revenue and the economy to be generally positive in the long run, although its magnitude is expected to be minimal in 2015 due to the increase in cash assistance to the *rakyat*. We sense that there are still some uncertainties about the actual amount of revenue to be generated from the GST. In addition, as the number of items in the zero-rated category is increased to reduce the GST's regressive nature, net revenue from the GST that the government will generate will likely fall to the level estimated by MoF (RM690 million). Nonetheless, MARC feels that the firm decision to implement the GST without any delay is positive and reflects a decisive commitment by the government.

With regards to the BR1M programme, while such assistance is a boon to lower-income households and will prove invaluable in rebalancing income and wealth inequality in Malaysia, we are concerned about the long-term impact of 'unconditional' cash transfers on work incentives and in potentially creating a culture of government dependency. Furthermore, unwinding such measures in the future will be politically challenging. As such, we are of the view that proper plans need to be articulated when the government decides to unwind these handouts. We are still of the view that transfers are the optimum choice so long as they are subject to certain conditions such as ensuring children attend school. In addition, giving food and other types of vouchers instead of cash may prevent misuse of the allocation on the purchase of items such as tobacco and alcohol.

On the fiscal balance, MARC is of the view that the government's budget deficit target is well within reach, especially when economic growth momentum has picked up in 2014. Although we think GDP growth may decelerate in 2015, the government’s revenue growth target of 4.5% looks realistic. In fact, we may see a stronger collection in revenue if past history is of any guide. Going forward, we sense an increasing commitment by the government to step up its efforts to rationalise subsidies because of its present non-discriminative nature, and this is positive in our view. The fact that the government continued to raise the prices of RON95 and diesel at a time when global crude prices are on the downtrend implies the government’s determination to finally abolish indiscriminate subsidies and focus on providing assistance to only selected groups. As such, the likelihood of achieving the targeted deficit of 3.0% of GDP in 2015 is high as revenue growth may be stronger. Notwithstanding this, we foresee further room for improvement to lower operating expenditures (OPEX) through a leaner public sector via the stringent monitoring of expenditures on supplies and services.

On housing, we feel positive about the government’s proposal to provide further measures to promote home ownership and improve affordability through the Rent-To-Own Scheme for the 1Malaysia Housing Programme (PR1MA) and Youth Housing Scheme. The focus on providing assistance to first-time house buyers such as the 50% stamp duty exemption on instruments of transfer and loan agreements which has been extended until December 2016 is a step in the right direction. However, MARC feels that more serious measures are needed to contain speculative activities in the housing market, as prices remain stubbornly high. Measures such as higher price thresholds for foreign buyers and higher stamp duties for multiple purchases may help deter such activities.

On the capital market, MARC views positively the government’s initiatives to facilitate retail participation in the bond market through its proposal to list and trade Malaysian Government Securities (MGS) and Government Investment Issues (GII) on the Exchange-Traded Bond and Sukuk (ETBS). Notwithstanding this, we are of the view that more measures can be introduced to promote greater retail participation, such as lowering the net worth requirements and minimum trading size. As a continuous effort to strengthen the Islamic financial market, we feel that the government’s decision to extend the deduction for expenses incurred in the issuances of sukuk based on Ijarah and Wakalah principles for another three years until year 2018 is positive to sukuk issuers. We also look forward to the introduction of a new Shariah-compliant investment product, i.e. the Investment Account Platform (IAP) in 2015.

While overall government measures to strengthen economic fundamentals and reduce imbalances so as to eventually balance the budget by 2020 look commendable, the lack of details on how the government will address the issues of relatively high government debt and rising contingent liabilities will keep credit rating agencies (CRAs) guessing when evaluating the debt metrics. While the estimated minuscule increase in OPEX for 2015 and the reduction in fiscal deficit in 2015 will arguably alleviate the pressure on government debt, a supplementary budget – if requested by the government in the near future – may cloud CRAs’ perception of Malaysia’s debt trajectory.

Overall, MARC thinks that Budget 2015 broadly meets the competing needs of fiscal consolidation while attempting to address the aspirations of the people. It will indeed be a challenging year for the government to balance the need to reduce economic imbalances with the desire to ensure the *rakyat* is sufficiently protected from the impact of some of the proposed measures. This is an unenviable balancing act which MARC believes the government will be able to carry out, despite some areas of weakness.

Budget 2015: Strategic initiatives

Budget 2015 attempts to ensure sustainable economic growth, reduce the fiscal deficit, and assist the *rakyat* in coping with increasing consumer and asset prices arising from the implementation of the GST and further rationalisation of subsidies as the country moves towards becoming a high-income nation by 2020. It outlines seven strategic initiatives:

- ***First strategy: Strengthening Economic Growth***

  The government will continue to provide a conducive and comprehensive ecosystem to accelerate investment. Budget 2015 will provide incentives to, amongst others, boost economic activity in the services sector, strengthen the Islamic financial market, promote the domestic shipping industry, ensure balanced and inclusive regional growth, accelerate public and private investment, increase automation in labour-intensive industries, and develop small and medium enterprises (SMEs).

  About 4000 SMEs in the services sector are expected to benefit from the allocation of RM5 billion to set up the Services Sector Guarantee Scheme for SMEs. A RM10 million fund has been set aside to establish a Research Incentive Scheme for Enterprises (RISE) to encourage the setting up of research centres in high technology, ICT and knowledge-based industries. To accelerate public and private investment, allocations are provided for the implementation of several infrastructure projects including the 59-km Sungai Besi – Ulu Klang Expressway (SUKE), the 276-km West Coast Expressway from Taiping to Banting and the upgrading of the East Coast railway line along Gemas – Mentakab, Jerantut – Sungai Yu, and Gua Musang – Tumpat.

  Incentives to encourage automation in labour-intensive manufacturing include an automation capital allowance on the first RM4 million expenditure incurred within the 2015-2017 period for industries such as rubber products, plastics, wood, furniture and textiles and an automation capital allowance on the first RM2 million expenditure incurred within the 2015-2020 period for other industries.

- ***Second strategy: Enhancing Fiscal Governance***

  The government will continue its consolidation efforts and implement the GST on 1 April 2015 which is expected to rake in a net revenue of RM690 million in 2015. It reiterated its commitment to subsidy rationalisation, particularly for petroleum, which will be implemented in stages.

  With the implementation of the GST, the government will reduce the tax burden of the *rakyat* through a reduction in individual income tax rates by one to three percentage points for the year of assessment (YA) 2015, while taxpayers with a family and with an income of RM4,000 per month and below will not have tax liability. Also, the chargeable income subject to the maximum rate will be increased from exceeding RM100,000 to exceeding RM400,000, and the current maximum tax rate at 26% reduced to 24%, 24.5% and 25%.

  For YA 2015, the cooperative income tax rate will be reduced by one to two percentage points. In the case of corporate income tax, the rate will be reduced by one percentage point from 25% to 24% for YA 2016. The income tax rate for SMEs will also be reduced by one percentage point from 20% to 19% for YA 2016.

- ***Third strategy: Developing Human Capital and Entrepreneurship***

  The government will continue to strengthen the education sector and will allocate RM56 billion to the Ministry of Education for various teaching and learning programmes, and another RM250 million for School Improvement Specialist Coaches and School Improvement Partners programmes.

  To meet the demand for workers with technical and vocational qualifications, the government will allocate RM1.2 billion to upgrade colleges and increase student intake in vocational and community colleges through the Vocational and Technical Transformation programme. There are also allocations for developing and maintaining education facilities, sponsoring education, expanding the MyBrain15 Programme, and enhancing the graduate employability scheme.

To improve the well-being of employees, the government will review the Employment Act 1955 and related labour acts and look at issues related to terms and conditions of employment including appointment and dismissal, flexibility of working arrangements, as well as termination benefits. It will also introduce an Employment Insurance System to give temporary financial assistance to retrenched workers, as well as provide opportunities for reskilling and upskilling.

- ***Fourth strategy: Advancing the Bumiputera Agenda***

The government will allocate RM600 million to EKUINAS to increase Bumiputera ownership in private companies and Government-Linked Companies (GLCs). It will also implement several initiatives to increase the number of Bumiputera entrepreneurs which include strengthening the role of the National Entrepreneurship Institute (INSKEN) as a Centre of Excellence for Bumiputera Entrepreneurship, further accelerating the Bumiputera Entrepreneurs Startup Scheme (SUPERB) with an additional allocation of RM30 million and introducing a pre-export programme for high-performing Bumiputera companies (TERAS) for enhanced branding, international certification and market surveys for Bumiputera products.

To strengthen Bumiputera human capital, the government will be implementing the following initiatives: a) RM2 billion for MARA to sponsor the education of eligible Bumiputera students; b) RM72 million to be used by Yayasan Peneraju Pendidikan Bumiputera to implement three programmes in the form of scholarship, training and financial assistance to benefit 5,000 people; and, c) establishing a Professional Accounting Centre in Universiti Teknologi MARA in collaboration with Malaysian Institute of Accountants.

- ***Fifth strategy: Upholding the Role of Women***

For the purpose of enhancing the contribution of women in national development, the Ministry of Women, Family and Community Development will be allocated RM2.26 billion for development and operating expenditure. Its programmes include: a) the Strengthening Women Directors Programme, which is aimed at achieving a 30% participation rate of women in decision-making positions; b) the 1Malaysia Support for Housewife programme to improve opportunities for women to return to the job market; and, c) the Women Career Comeback Programme, to be set up by Talent Corp for professional women returning to the job market.

- ***Sixth Strategy: Developing the National Youth Transformation Programme***

The Government will launch the National Youth Transformation Programme with an allocation of RM320 million. There will be allocations to, amongst others: a) enhance entrepreneurial talent through programmes under Malaysian Global Innovation & Creativity Centre (MaGIC); and, b) increase capacity and skills through the National Youth Vocational Institute (IKBN) Transformation and Coding Bootcamp programmes.

The Government will establish 1Malaysia Youth City to provide a comprehensive ecosystem for youth to increase their capabilities and progress in work, business and entrepreneurship as well as enjoy housing, recreational and sports facilities. 1Malaysia Youth City will be allocated RM100 million to fund three pilot projects in the Peninsula, Sabah and Sarawak.

The Government also announced the Youth Housing Scheme, which is aimed at addressing the issue of home ownership among youth. A smart partnership between the Government, Bank Simpanan Nasional, Employees Provident Fund and Cagamas, the scheme offers a funding limit for a first home not exceeding RM500,000 for married youth aged between 25 and 40 years with a household income not exceeding RM10,000. The maximum loan period is 35 years.

- ***Seventh Strategy: Prioritising the Well-Being of the Rakyat***

The government will set aside allocations to improve the quality of life and well-being of the *rakyat*. For households with a monthly income of RM3,000 and below, the government will increase the BR1M cash assistance from RM650 to RM950. For households with a monthly income of between RM3,000 and RM4,000, BR1M will be increased from RM450 to RM750. In the case of single individuals aged 21 and above with a monthly income not exceeding RM2,000, BR1M will be increased from RM300 to RM350 a year. In addition, the government will replace the group takaful insurance or i-BR1M with the Family Bereavement Scheme, a new scheme that entitles the next of kin of BR1M recipients to receive RM1,000 effective for a year.

The government will also introduce several services to improve the public transport system and health services facilities. There will also be implementations of various programmes to address the issue of home ownership. These include: a) building 80,000 units under the PR1MA with an allocation of RM1.3 billion; b) building 26,000 units under the People's Housing Programme (PPR) with an allocation of RM644 million; and, c) building 12,000 units of Rumah Mesra Rakyat (RMR) and 5,000 units of Rumah Idaman Rakyat.

Our take on different issues in Budget 2015

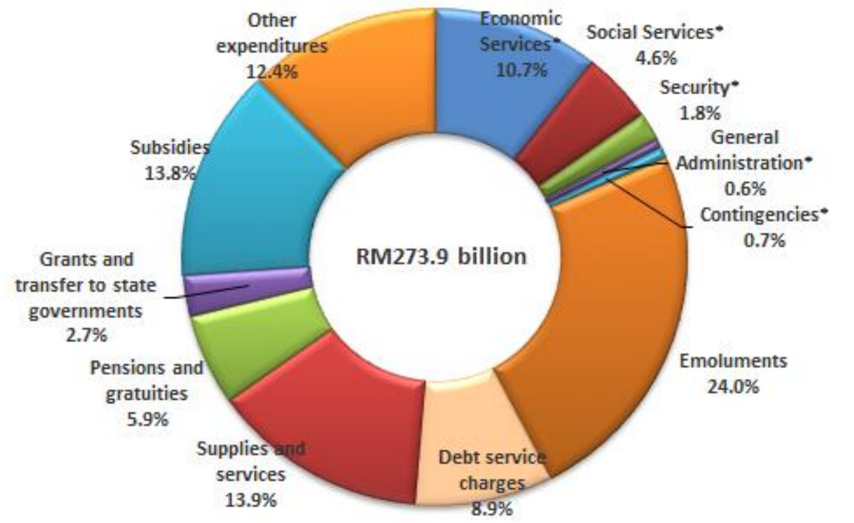
- ***On allocations and budgetary positions***

In Budget 2015, the government proposed a total allocation of RM273.9 billion, about 4.4% higher than the revised allocation for 2014. Of the total allocation in Budget 2015, operating expenditures account for roughly RM223.4 billion while RM50.5 billion is slated for gross development expenditures. Government revenue is anticipated to grow by 4.5% (revised estimate 2014: 5.5%), and the government foresees the budget deficit to continue to drop to 3.0% of GDP (RM35.7 billion) in 2015 from an estimated 3.5% of GDP (RM37.3billion) in 2014, a target that is within reach, in our view. Although we feel that economic growth may decelerate in 2015, the government's revenue target looks realistic. In fact, we may see a stronger collection in revenue if past history is of any guide. Notwithstanding this, there is room for improvement as Malaysia's revenue-to-GDP ratio remains around 21%, lower than countries such as South Korea and Japan.

We view the impact of the GST on government revenue and the economy to be generally positive in the long run, although its magnitude is expected to be minimal in 2015 due to the increase in cash assistance to the *rakyat*. We sense that there are still some uncertainties about the actual amount of revenue to be generated from the GST. In addition, as the number of items in the zero-rated category is increased to reduce the GST's regressive nature, net revenue from the GST that the government will generate will likely fall to the level estimated by MoF (RM690 million). Nonetheless, MARC feels that the firm decision to implement the GST without any delay is positive and reflects a decisive commitment by the government.

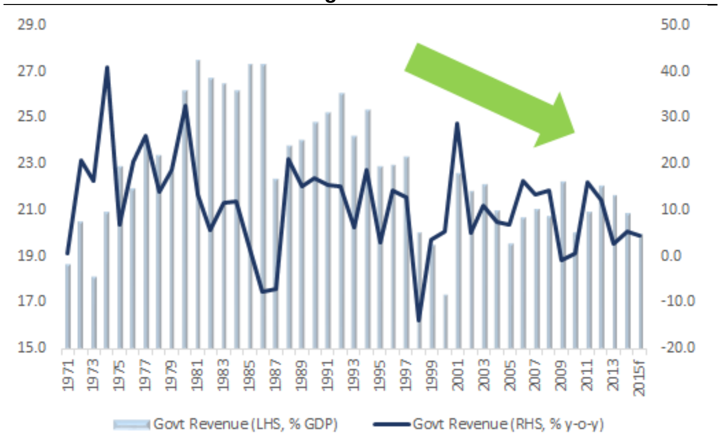
On the expenditure side, we see some positive signs as we sense an increasing commitment by the government to step up its efforts to rationalise subsidies because of its present non-discriminative nature and as such, the likelihood of achieving the targeted deficit of 3.0% of GDP in 2015 is high. However, this is premised on an absence of or only a small supplementary budget that the government may request in the next one year. We are comforted by the fact that operating expenditures, while remaining high, have grown by a significantly slower pace of 6.6% per annum on a compound annual growth rate (CAGR) basis in 2008-2013, compared with 11.3% per annum in 2001-2005.

Chart 1: Budget 2015 – Spending allocation



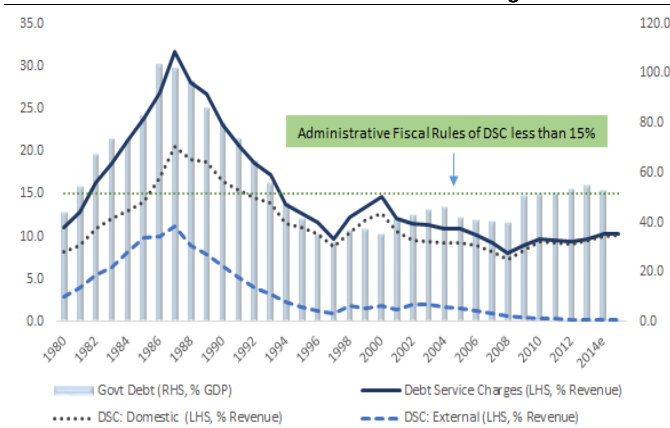
Source: MoF Economic Report 2014/2015
*Note: * = development expenditure*
*Items without * = operating expenditure*

Chart 2: Government revenue growth and as % GDP



Source: CEIC, MoF, MARC Economic Research
Note: 2014-15 figures are MoF's estimate and forecast figures

Chart 3: Government debt and debt service charges



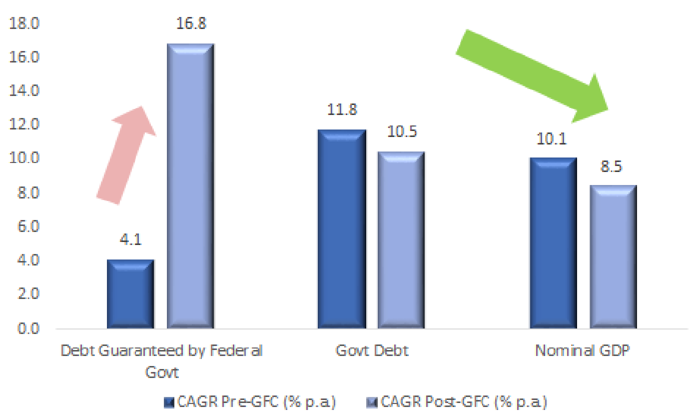
Source: CEIC, MoF, MARC Economic Research
Note: 2014-15 figures are MoF's estimate and forecast figures

- ***On government debt and contingent liabilities***

Government debt which stood at 52.8% of the estimated GDP in 2Q2014, despite declining from last year's level of 54.8%, is still putting pressure on the government to continue scaling down its expenditures while boosting its revenue. While we do not foresee any significant adverse repercussion from this level of debt due to its nature of a self-imposed limit (at 55% of GDP) and its composition (69.8% of total debt is domestic debt under the new definition of external debt), long-term solutions would still hinge of the diversification of revenue and the ability to contain operating expenditures. In this regard, both steps taken by the government – to diversify revenue base through the implementation of the GST and reductions in indiscriminate subsidies such as petrol – can be considered positive. A continuous effort to monitor expenditures relating to 'supplies and services' as well as sustaining economic growth to ensure robust revenue collections will further help to relieve the strain on the government's financial position and its debt level.

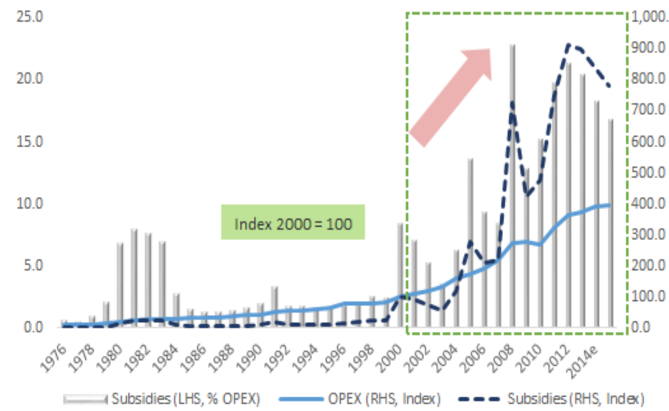
However, there is evidently lack of details on how the government will address the issues of relatively high government debt which will keep CRAs guessing when evaluating the debt metrics. In addition, the rapid increase in contingent liability (RM156.8 billion or 15.9% of GDP at the end of 2013 compared with 9.0% of GDP in 2008) suggests that the government's flexibility in guaranteeing future debt will be more limited. As we mentioned in our previous reports, this will be challenging at a time when the government is embarking on huge investments on infrastructure and non-infrastructure projects. Greater transparency on contingent liability could improve the CRAs' perception of Malaysia's fiscal and debt management capability. Malaysia's breakdown of contingent liability (debt guaranteed by the federal government) could be disclosed and made known to the public.

Chart 4: Debt guaranteed by federal government, government debt and nominal GDP growth (CAGR basis)



Source: CEIC, MARC Economic Research

Chart 5: Malaysia's subsidy bill and OPEX



Source: CEIC, MoF, MARC Economic Research
Note: 2014-15 figures are MoF's estimate and forecast figures

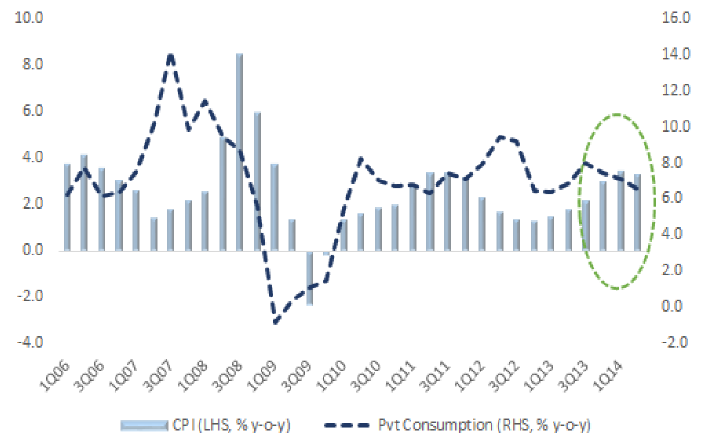
- ***On impact of the GST on inflation and private consumption***

We maintain our view that the overall impact of the GST on consumer prices could be more pronounced than anticipated based on the past experiences of other countries. This is especially true if measures to curb profiteering activities under the PC&APA 2011 are not strictly enforced as prices will likely be hiked irrespective of whether businesses are dealing with zero-rated or standard-rated products. In relation to this, while the government's move to add more consumer items under the zero-rated category to reduce the regressive nature of the GST is somewhat positive for low income consumers, it may not totally prevent businesses from raising their prices to compensate for the narrower margin resulting from selling GST-exempt goods if the implementation of the PC&APA 2011 is not strictly enforced. We still expect the CPI growth to breach 5% at some point in 2015 although we believe that the overall average will be somewhere between 4.5% and 5%. Notwithstanding this, we take comfort in the government's move to strengthen the GST Enforcement Unit, Price Monitoring Unit and Consumer Squads to prevent price manipulation by businesses although more comprehensive information on measures to prevent significant price increases should have been provided to consumers by now to reduce their anxiety.

The RM300 increase in the amount of BR1M payout for households with income levels of RM3,000 per month and below as well as for those with income levels between RM3,000 and RM4,000 per month and the RM50 increase given for single individuals will somewhat mitigate the negative repercussions on private consumption. The move to give a relief from the payment of GST on RON95 and diesel was also expected as the government had already raised their prices in the first week of October by RM0.20 per litre to compensate for the removal of the GST.

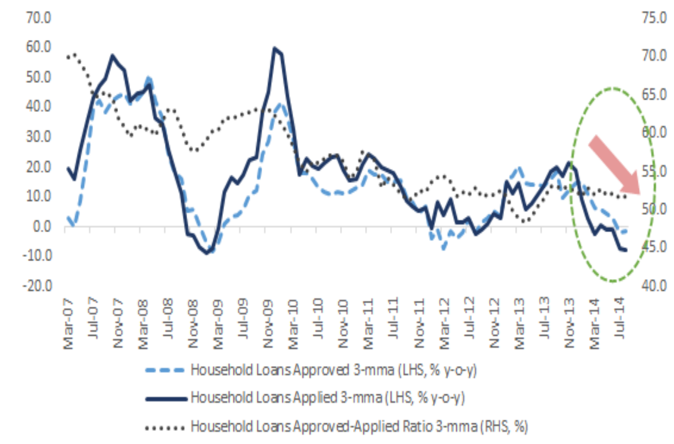
Notwithstanding this, the lag effect of BNM's macroprudential measures which have taken a toll on lending to some sectors of the economy (i.e. consumer sector) will continue to exert downward pressures on consumers in 2015. Based on such a scenario, we foresee private consumption growth to moderate further to 5.2% in 2015 (MoF: 5.6%) from an estimated 6.2% growth in 2014 (MoF: 6.5%).

Chart 6: Private consumption and CPI growth



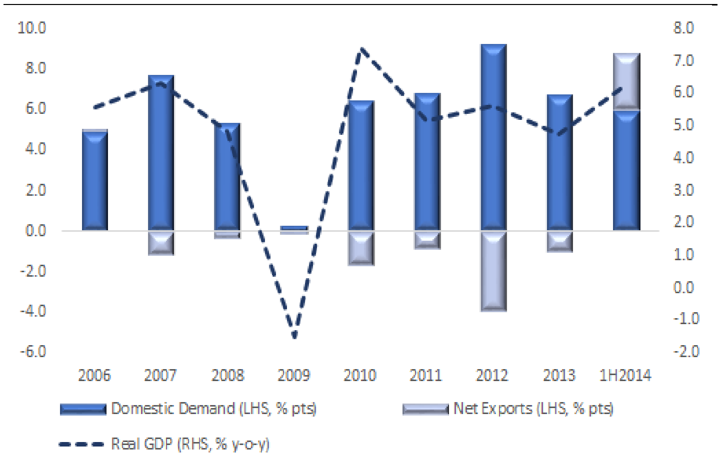
Source: CEIC, MARC Economic Research

Chart 7: Household loans application and approvals growth



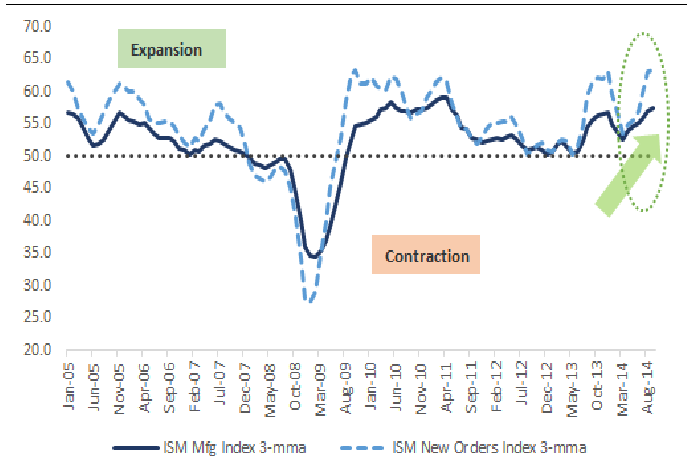
Source: CEIC, MARC Economic Research

Chart 8: Headline GDP growth and contribution to GDP



Source: CEIC, MARC Economic Research.

Chart 9: US ISM manufacturing and new orders index



Source: CEIC, ISM, MARC Economic Research.

- ***On economic growth and interest rates***

  Malaysia's GDP growth is expected to decelerate to between 5.0% and 6.0% in 2015 from 5.5% to 6.0% in 2014 according to MoF, and we concur with such a view although our forecast of 5% is at the lower end of the government's estimate (our forecasts are 2014: 5.8% and 2015: 5.0%).

  A sustained growth in 2015 is expected to be attributed mainly to the recovery of the external sector as global trade is strengthening following the strong recovery of the US economy, resilient momentum of China's economy despite the Euro region's snail-pace recovery. Specifically, we think the US economy will continue to benefit from a long period of loose monetary policy implemented by the US Federal Reserve (Fed) to ensure a stable growth in 2015. The strength of the manufacturing sector is evidenced by the uptrend in the Institute Supply Management (ISM) manufacturing index and its new orders sub-index. The wildcard, however, is the timing of the first US rate hike, which if happens in 1H2015 will likely cause massive outflows of capital from this region, Malaysia included. Such events will likely cause the ringgit to be under pressure even before rate increase.

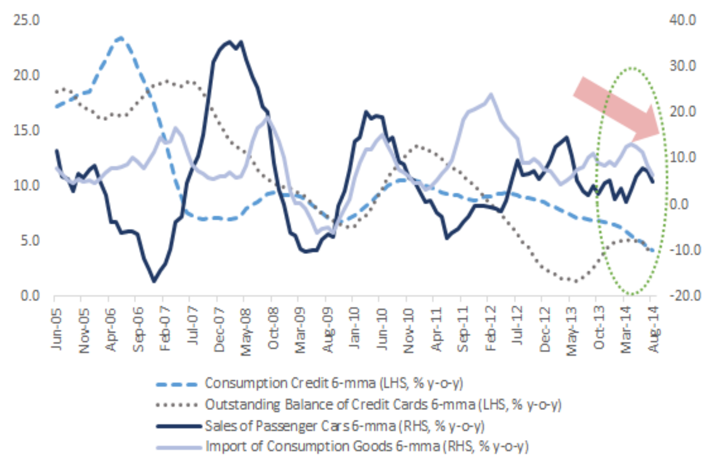
  On top of this, as we have mentioned, we are also wary of the recent deceleration of the domestic economy resulting from rising consumer prices and costs of living, slower growth in consumer spending as well as softer lending growth to the business sector following a series of macroprudential measures implemented by BNM to avert further imbalances in the economy (i.e. rising household debt). Given that there is a likelihood of capital outflows by the end of the year and the possibility of the ringgit coming under pressure, we see the risk of an interest rate hike in 1H2015. Such a move however – if it happens – will exert additional pressure on private consumption and hence the headline growth in 2015. As such we foresee the headline growth to be somewhere between 4.8% - 5.2% in 2015 (central tendency of 5.0%).

Table 1: GDP growth on the demand side

Growth (%y-o-y)	2011	2012	2013	MARC		MoF	
				2014F	2015F	2014F	2015F
GDP	5.2	5.6	4.7	5.8	5.0	5.5 - 6.0	5.0 - 6.0
Domestic Demand	8.1	10.7	7.4	6.5	5.5	6.4	6.2
Private Consumption	6.9	8.2	7.2	6.2	5.2	6.5	5.6
Public Consumption	16.2	5.0	6.3	4.1	3.4	2.1	3.8
Private Investment	9.4	22.8	13.1	12.8	10.9	12.0	10.7
Public Investment	2.6	14.6	2.2	1.3	1.4	2.6	4.7
Real Exports	4.5	-1.8	0.6	6.0	4.0	3.5	2.1
Real Imports	6.2	2.5	2.0	5.9	5.7	3.5	4.0

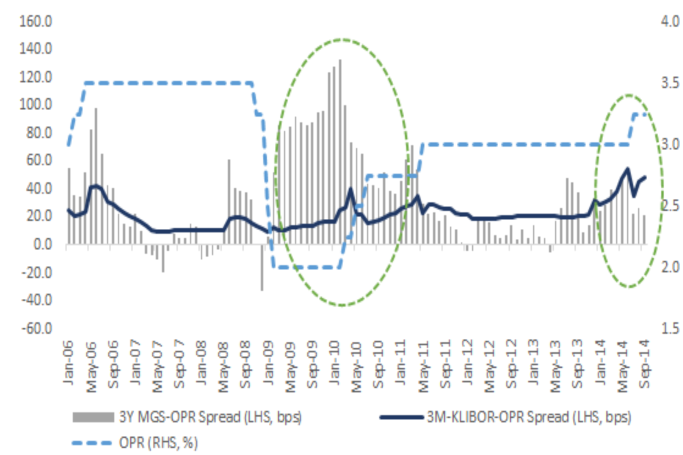
Source: CEIC, MoF, MARC Economic Research

Chart 10: Selected private consumption indicators



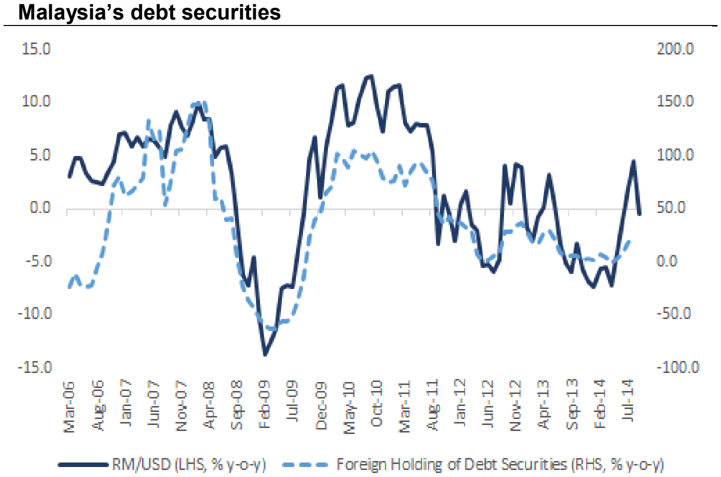
Source: BNM, MARC Economic Research

Chart 11: 3Y-MGS and 3M-KLIBOR spread against OPR



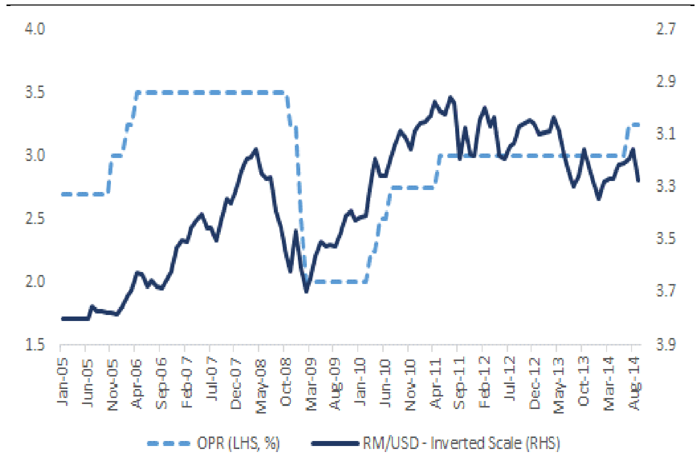
Source: CEIC, MARC Economic Research

Chart 12: Annual change in RM/USD and foreign holding of Malaysia's debt securities



Sources: CEIC, MARC Economic Research

Chart 13: RM/USD and OPR



Sources: CEIC, MARC Economic Research

Budget 2015 Measures

RURAL TRANSFORMATION

- RM943 million allocated for construction of 645 km of rural roads in Sabah and Sarawak.
- RM1.1 billion proposed to provide electricity for 15,000 houses.
- RM394 million to implement rural clean water supply for 7,500 homes.
- RM200 million allocated for building and restoring 9,500 units of battered houses.
- Quality of rural air services in Sabah and Sarawak will be enhanced through the maintenance and lease of new aircraft at a cost of RM160 million.
- RM352 million allocated to implement economic development programmes, infrastructure facilities as well as improve the living standards of Orang Asli communities.

ECONOMIC DEVELOPMENT AND INVESTMENT

- Services Sector Blueprint will be implemented.
- The 59km Sungai Besi – Ulu Klang Expressway (SUKE) will be built at a cost of RM5.3 billion.
- RM5 billion for the cost of constructing the 276km West Coast Expressway.
- Construction of the 47km Damansara – Shah Alam Highway (DASH) with a total construction cost of RM4.2 billion.
- RM1.6 billion for the construction of the 36km Eastern Klang Valley Expressway (EKVE)
- Construction of the second MRT line from Selayang to Putrajaya with an estimated cost of RM23 billion.
- RM9 billion estimated cost for the LRT 3 Project.
- RM69 billion worth of investments in the Pengerang Integrated Petroleum Complex, creating more than 10,000 job opportunities.
- RM70 million allocated to establish a Sustainable Mobility Fund to develop the electric vehicle manufacturing industry.
- A total of RM2.7 billion will be spent over the next three years to increase the capacity of High-Speed Broadband (HSBB) in areas of high economic impact.

PUBLIC TRANSPORT

- Intercity bus services will be provided with a discounted monthly fare of 30%.
- Electric Train Service (ETS) for the Ipoh-Butterworth route will commence in April 2015.
- Stage bus services in several states will be upgraded through a contracting system with existing bus companies.

EDUCATION

- A total of RM250 million to be allocated for School Improvement Specialist Coaches and Improvement Partners programmes.
- RM100 million proposed for an increase of 10,000 placements in Technical and Vocational Training (TEVT) programmes.
- A sum of RM800 million allocated for the development and maintenance of education facilities, while all National-type schools under the Ministry of Education will enjoy free utility bills up to a maximum limit of RM5,000 per month from RM2,000 previously.
- RM711 million proposed to strengthen early childhood education through the Ministry of Education, Tabika Kemas, PERMATA and TABIKA Perpaduan.
- RM112 million allocated for the MyBrain15 programme in an effort to produce 60,000 PhD holders by 2023.
- RM100 vouchers for all primary and secondary school students as well as the RM250 1Malaysia Book Vouchers will continue to be given.

COST OF LIVING

- Increase in BR1M payments from RM650 to RM950 for households earning RM3,000 per month and below, while the amount will be increased from RM300 to RM350 for single individuals aged 21 and above with a monthly income less than RM2,000.
- An increase of RM300 to RM750 in BR1M assistance will be extended to households with a monthly income of between RM3,000 to RM4,000.
- A special financial assistance of RM250 for pensioners.
- Additional 20 units of Kedai Rakyat 1Malaysia (KR1M) to be established in Peninsular Malaysia.
- Price watch team will be set up comprising consumer associations, 2,720 personnel of the GST Enforcement Unit, 1,300 personnel of the Price Monitoring Unit, Consumer Squads with 202,800 volunteers, as well as 579 mukim and village heads.
- Living allowance for fishermen in Zone A will be increased to RM300 from RM200 per month, while the allowance for those in Zone B and Zone C will be raised to RM250.
- Increase in allowance for working disabled (OKU) from RM300 to RM350, while financial assistance for non-working OKU will be raised to RM200 from RM150.

TAXES

- An increase in the number of items classified as zero-rated of GST which include, amongst others, all types of fruits (local and imported), bread, coffee powder, tea dust, as well as medicines categorised as National Essential Medicine.
- Electricity consumption of the first 300 units will be classified as zero-rated of GST, instead of the 200 units previously announced.
- Retail price for RON95 petrol, diesel and LPG will also be given a relief from GST.
- Reduction in individual income tax rates by 1%-3% for the YA 2015, while the current maximum tax rate at 26% will be reduced to 24%, 24.5% and 25%.
- Revision on the personal income tax structure by increasing the floor for the maximum income tax rate from the current chargeable income of RM100,000 to more than RM400,000.
- Corporate tax rates to be reduced from 25% to 24%, and income tax rate for SMEs will be reduced by one percentage point effective for the YA 2016.
- Reduction in the cooperative income tax rate by 1%-2% effective for the YA 2015.
- Increase in tax relief for expenses incurred for the treatment of serious diseases to RM6,000 from RM5,000.
- Tax relief for OKU child will be increased to RM6,000 from RM5,000.
- For the purchase of basic supporting equipment for the taxpayer, spouse and children with disabilities, the tax relief will also be raised from RM5,000 to RM6,000.

CIVIL SERVANTS

- Half-month bonus for civil servants with a minimum payment of RM500 to be paid in January 2015.
- Pensioners will continue to receive special financial assistance amounting to RM250.
- Increase in allowances for Members of Parliament (MPs) of the Dewan Rakyat from the equivalent grade 54 to the equivalent grade JUSA C, while for those of the Dewan Negara to be raised to the equivalent between grade 54 and JUSA C, from the equivalent grade 48 currently.
- Both salaries and allowances of the Speaker of the Dewan Rakyat and Dewan Negara as well as their Deputies will be increased effective January 2015.

SECURITY

- RM660 million to enhance security in Eastern Sabah Security Zone (ESSZONE) and Eastern Sabah Security Command (ESSCOM).
- RM17.7 billion allocated for ATM and RM9.1 billion to PDRM to increase the levels of safety and public order, while RM804 million proposed to strengthen maritime enforcement through Maritime Enforcement Agency Malaysia.
- RM121 million for PDRM to implement various programmes under NKRA, including increase the intake of policemen, building 14 police headquarters and police stations, as well as strengthening the PDRM patrol through the purchase of 1,000 units of motorcycles.
- RM7 billion allocated for ATM to purchase and maintain defense assets.

PROPERTY AND HOUSING

- RM1.3 billion allocated to build 80,000 affordable homes under the PR1MA, while the maximum eligibility is now raised for households earning less than RM10,000 instead of RM8,000. A Rent-to-Own scheme will be introduced for individuals who are unable to obtain bank financing.
- Introduction of Youth Housing Scheme which offers a funding limit for a married youth aged between 25 and 40 with a household income of less than RM10,000 for a first home not exceeding RM500,000. A financial assistance of RM200 per month will be given by the government to borrowers for the first two years.
- 50% stamp duty exemption will be extended until 31 December 2016 on instruments of transfer and loan agreements as well as increasing the purchase limit from RM400,000 to RM500,000 for first-time house buyers.
- The ceiling price for Skim Rumah Pertamaku will be increased to RM500,000, while the age eligibility of borrowers to be raised to 40 from 35 years.
- RM644 million allocated to build 26,000 units through the People's Housing Programme (PPR).
- An addition of 12,000 units of Rumah Mesra Rakyat (RMR), 5,000 units of Rumah Idaman Rakyat as well as 20,000 units of Rumah Aspirasi Rakyat will be built by Syarikat Perumahan Negara Berhad (SPNB).
- Home financing for civil servants will receive an increase in the minimum eligibility up to RM120,000 from RM80,000 and the maximum eligibility is now capped at RM600,000 instead of RM450,000 previously.

YOUTH AND SPORTS

- A sum of RM320 million allocated for National Youth Programmes, to include, amongst others, reviewing the National Service Training Programme or PLKN, improving the Rakan Muda programme, as well as strengthening youth leadership through the Youth Leadership Academy programme.
- RM100 million proposed to establish 1Malaysia Youth City.
- RM103 million allocated to implement various measures under the Sporting Nation Blueprint.

AGRICULTURE

- RM6.0 billion proposed to strengthen the food supply chain through several initiatives including the establishment of farmers' markets and 50 fish markets that will operate daily.
- Four new Integrated Agriculture Development Area will be developed with an initial allocation of RM100 million.

HEALTH

- A total of RM23.3 billion allocated for the health sector, to include, amongst others, the construction of two hospitals, 20 health clinics, four dental clinics, as well as an additional 30 1Malaysia clinics.
- RM30 million allocated for the distribution of 55,000 dengue test kits free of charge for private clinics to expedite early dengue detection.

TOURISM

- A sum of RM316 million allocated for Ministry of Tourism and Culture in conjunction with Malaysia – Year of Festivals 2015.

SMALL AND MEDIUM ENTERPRISES

- An initial fund amounting to RM150 million allocated for the Investment Account Platform (IAP) to provide opportunities for investors to finance entrepreneurial activities and develop viable SMEs, while income tax exemption for individual investors on profits earned will be given for three consecutive years.
- RM375 million of initial funding proposed for the implementation of SME Investment Partner for a period of five years.
- RM10 million allocated for the Business Accelerator Programme under SME Corp.
- RM100 million worth of training grants will be provided to businesses for their employees to attend GST courses.
- Financial assistance amounting to RM150 million will be given to SMEs for the purchase of GST-compliance software.
- RM80 million provided for Soft Loan Scheme for Automation and Modernisation of SMEs through the Malaysian Industrial Development Finance Berhad.
- Soft loans amounting to RM50 million allocated for SME entrepreneurs from the Chinese Community, while RM30 million is allocated for hawkers and petty traders.
- RM10 million allocated for establishing a Research Incentive Scheme for Enterprises (RISE) to encourage companies to set up research centres in high technology, ICT and knowledge-based industries.
- RM100 million allocated for the reintroduction of the Services Export Fund (SEF)
- RM20 million fund proposed to strengthen the Franchise Development Scheme through the Ministry of Domestic Trade, Co-operatives and Consumerism in collaboration with the Malaysian Franchise Association.

CAPITAL AND FINANCIAL MARKETS

- The Malaysian Government Securities (MGS) and Government Investment Issues (GII) to be listed in Exchange Traded Bond and Sukuk (ETBS).
- An extension of tax deduction for another three years until the YA 2018 for expenses incurred in the issuance of sukuk based on Ijarah and Wakalah principles.

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MALAYSIAN RATING CORPORATION BERHAD (Company No.: 364803-V)
5th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 KUALA LUMPUR
Tel.: +603 2082 2200 Fax: +603 2094 9397 E-mail: marc@marc.com.my
Homepage: www.marc.com.my