

AUDEMARS PIGUET
Le Brassus **LEARN MORE >**

MALAYSIA TOP STORIES POLITICS & GOVERNMENT

Select Language | ▼

BUDGET 2020 PREVIEW

What could an expansionary budget entail?

Arjuna Chandran Shanker & Joyce Goh / theedgemarkets.com
November 03, 2020 09:30 am +08

AUDEMARS PIGUET
Le Brassus **LEARN MORE >**



Domenic Fuda, Group Managing Director and CEO of Hong Leong Bank

A

KUALA LUMPUR (Nov 3): Finance Minister Datuk Seri Tengku Zafrul has declared that Budget 2021 will be an expansionary budget.

What would an expansionary budget in the midst of a pandemic entail?

Here are the insights from bankers from different segments of the banking business on this.

Domenic Fuda, group managing director and chief executive officer (CEO), Hong Leong Bank, expects priorities to be given in the budget to initiatives that will have a multiplier effect on the whole economy.

“Initiatives aimed at helping SMEs’ recovery journey would be welcomed, as they constitute 98.5% of all businesses in the country and they fuel economic growth, socio- economic development and employ a significant number of

people,” Fuda told *The Edge*.



Lim Wyson, OCBC Malaysia Head of Consumer Financial Services

He also pointed out that recovery in the construction sector can also provide impetus to the economic recovery, as it has spill-over effects on a number of upstream and downstream sectors.

“Some measures to stimulate the construction sector and tax reliefs to the property sector, be it in RPGT (real property gains tax), lower or exemption in stamp duties, or

bringing forward infrastructure projects, will provide a lift not only to the construction sector but also to wider economic activities,” he added.

As countries review the supply chain disruptions emanating from the pandemic as a result of trade tensions between the world’s key economies, Fuda believes policies that would enhance Malaysia’s ability to attract FDIs would help cement Malaysia’s position as a key manufacturing and distribution hub.

Malaysia recorded positive foreign direct investment (FDI) in the second quarter in the midst of a lockdown.



Maybank IB CEO Fad'l Mohamed

Meanwhile, Maybank Investment Bank’s (Maybank IB) CEO Fad’l Mohamed believes the government can further encourage companies and institutions to tap into sustainable financing under Budget 2021.



Alexander Chia, Head of Regional Equity Research, RHB Investment Bank Berhad

He said sustainable and responsible investing (SRI) had been a growing sector, witnessing accelerated demand and opportunities in the past year.

“One area that has been seeing significantly higher returns on investment is the sustainable bond space. Notably, the BPAM Environmental, Social and

Governance (ESG) All Bond Index by the Bond Pricing Agency Malaysia (BPAM) has delivered returns of 8.21% year-to-date, compared with 6.49% for all domestic corporate bonds and sukuk under the RF BPAM CORPS All Bond Index.

“We welcome measures that would encourage the corporate sector to utilise existing SRI frameworks, to develop issuances such as SRI sukuk that can impact positively, the economic recovery, and help communities to build back better,” he said in a statement.

OCBC Malaysia’s head of consumer financial services Lim Wyson is hoping that the budget will give a lot more benefits to individuals where the industries of their employment were affected by Covid-19, as well as smaller and mid-sized businesses.

“Hopefully, more help to those individuals that need help as well... this is to cushion any major risk of a major unemployment number coming out of Covid-19,” he said.

Lim concurred that everyone is hoping for an expansionary budget but pointed out that the question is whether the budget can comb through as many people to benefit from it.

“Everyone is impacted. For the case of OCBC Malaysia, what we observed is that of those customers that opted for blanket moratorium prior to September, 90% of them have resumed payments,” he said.

But he was quick to caution that it is “still early days”.

“I wouldn't want to go out and declare victory. If you look at the economic situation, not just our economy but around the world, there are still a lot of headwinds. Until we find a way to be able to restore jobs and get the economy flowing back again, I think the pressure on unemployment will continue to increase,” he said, noting the importance of the budget to create and maintain jobs.

From the household and consumer perspective, Fuda opined measures to boost consumption would also contribute to a meaningful lift to Malaysia's economic recovery, bearing in mind that private consumption contributes more than half of Malaysia's GDP.

Alexander Chia, head of regional equity research at RHB Investment Bank Bhd, expects spending on social assistance to remain a priority, while development expenditure would be focused on targeted, high multiplier economic sectors.

“In addition, we believe that growth in residential mortgages would also be sustained, as the government is expected to maintain current relief measures for the property sector. These would provide uplift to economic activities and therefore spur demand for credit,” he said

The finance minister has said Budget 2021 will be bigger than the RM297 billion Budget 2020, which was the second largest budget since Budget 2011.

About RM241.02 billion out of the RM297 billion was allocated for operating expenditure in Budget 2020 and RM56 billion was allocated to development expenditure.

Edited by S Kanagaraju

Subscribe to Mid-day email alert

We deliver news to your inbox daily

Email Address:

SUBSCRIBE

RELATED NEWS

9 October 2017

The State of the Nation: An expansionary budget seen ahead of GE14

26 July 2019

Guan Eng: Govt considering expansionary budget as it prioritises economic growth

27 October 2020

Debt ceiling could be raised again to 65% to accommodate expansionary Budget

2021 — KAF Research

19 October 2016

'Tough balancing act required for mild expansionary Budget 2017'

FEATURED VIDEOS





05 Nov | 08:00am Talking Edge, ...
TALKING EDGE: InvestKL eyes the next 100



05 Nov | 07:30am Morning Call, F...
MORNING CALL: 5/11/20



04 Nov | 08:55pm
EVENING 5: P budget to rev



LEARN MORE >

AUDEMARS PIGUET
Le Brassus

> **MOST READ**

MOST WATCHED

- 1 14-day EMCO in ILKKM Johor Bahru from tomorrow

2 CMCO in Mukim 12 Barat Daya, Penang, from Nov 6-18 — Ismail Sabri

3 Covid-19: Malaysia reports 1,032 new cases today, with eight deaths and six new clusters

4 Maybank warns against loan scam syndicate

5 China stops Jack Ma's US\$35 bil Ant IPO from going ahead

Branded Content






Alibaba plans earlier 11.11 Shopping Festival this year

			Rent	Rent
			Ampang Hilir	Shah Alam
			Sale	Sale
			Shah Alam	Bukit Jelutong
			Sale	Sale
			Kajang	Bandar Sunway
			Sale	Sale
			Sri Hartamas	Bukit Jelutong
Sale	Rent	Sale	Sale	Sale
Wangsa Maju	KLCC	Desa ParkCity	Bukit Jelutong	Setia Alam/Alam Nusantara
Sale	Sale	Sale	Rent	Rent
Ara Damansara	Cheras	Shah Alam	Mont Kiara	Shah Alam

Selangor

Bedrooms

Buy Rent


e-Paper Desktop Reader



