KERATAN AKHBAR

TARIKH : 21 FEBRUARI 2020

AKHBAR : THE EDGE MARKET

MUKA SURAT : 9

Fiscal deficit may widen on stimulus package

PETALING JAYA: Malaysia's fiscal deficit to gross domestic product (GDP) ratio could widen to 3.4-3.5% in the short term, based on the assumption that the fiscal stimulus package will amount to about RM8 billion.

"The government has been committed towards fiscal consolidation and consistently reducing its fiscal deficit from 3.7% of GDP in 2018 to 3.4% in 2019, and is estimated to be lowered to 3.2% in 2020. If not for the stimulus package, we believe the effort to cut further its fiscal deficit will largely remain on track," Affin Hwang Capital said in a research report yesterday.

It said the expected RM8 billion stimulus package could include a contingency development expenditure of RM2 billion.

Affin Hwang said the government is likely to increase the cash assistance on Bantuan Sara Hidup to B40 households, from the RM5 billion allocated in Budget 2020, possibly by another RM1 - RM2 billion, as well as increasing the number of recipients from the existing 3.9 million.

As for affected industries, apart from the loan reliefs already announced by banking institutions, Affin Hwang also believes part of the government's fiscal stimulus package will include financing support for certain SMEs as well as facilitating better accessibility to credit.

"For the tourism-related industries, apart from measures to attract new markets, there are also suggestions that the package may include rebates on hotels utility bills, rebates and promotion for Visit Malaysia 2020, as well as possible licence fees waiver for travel agents.

"There are also suggestions for measures such as waivers or rebates on road tax for bus and taxi operators," it said.

Besides the stimulus package, another rate cut is on the cards to support economic growth. Affin Hwang sees the possibility of Bank Negara trimming the Overnight Policy Rate by another 25 basis points to 2.5% at the monetary policy meeting in March.

Affin Hwang expects a further slowdown in GDP growth to 3.5% in the first quarter of the year caused by the immediate negative impact to the country's tourism industry - which could see a 30% decline in tourist arrivals, translating a loss of RM30 billion in tourist receipts.

"In view of the immediate impact on the country's tourism-related sectors, and the estimated loss in tourist receipts, with Malaysia's GDP growth dragged by around 0.5 percentage points, we have revised our real GDP growth projection down to 4% for 2020, from an earlier forecast of 4.5%," it said.

However, it noted that the impact from global supply chain disruption on Malaysia's manufacturing sector will be harder to quantify as it depends on a number of factors, such as labour/component supply, sourcing from alternative capacity and transportation/logistics support.

A revival of large scale infrastructure projects is anticipated as further support to the domestic economy.

" We anticipate the government to focus on improving the public transportation networks in Penang, Klang Valley and Johor. In addition, we believe MRT3 Circle Line project will likely be revived to integrate the public transportation network in Klang Valley as well as the possible revival of the High Speed Rail project," it said.