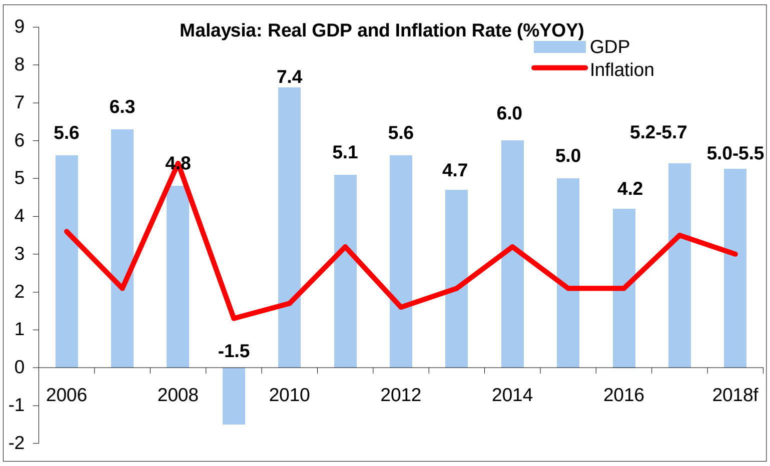
Resilient growth outlook amid continued fiscal consolidation

The government expects the Malaysian economy to remain on a steady growth trajectory, expanding between 5.0-5.5% in 2018, after a pick-up to 5.2-5.7% in 2017 (2016: +4.2%). Domestic demand will remain the main growth pillar with added support from a favourable external environment. The forecast range is a tad bullish in our view but the base forecast of 5.4% and 5.2% for this and next year is realistic and stacks well against ours' 5.4% (2017) and 5.0% (2018). We also foresee rooms for maneuver as the budget deficit target of 2.8% of GDP for 2018 (2017e: -3.0%) is based on crude oil price assumption of US$52/ barrel. Any upside surprises in global oil prices are therefore expected to translate into higher revenue in the government coffer, providing the government more policy flexibility in either lifting growth or narrowing the budget deficit.

Against a favourable macro backdrop, the government proposes an expansionary budget to help address short term issues and lay the foundation for longer term growth agenda. The rise in opex is being offset by tandem rise in government revenue while development expenditure is sustained at RM46.0bn with continuous focus on the transport and education sectors. We expect brighter growth outlook, continued fiscal consolidation and this people-friendly budget to be positive for the MYR outlook, with USDMYR expected to trend lower to 4.10 or even below next year. In the MYR bond space, we are projecting relatively stable gross MGS/GII supply in 2018, circa RM107bn taking into account sizeable maturity redemptions next year worth circa RM67bn, suggesting net supply will remain benign and little change from previous year's level at circa RM40.0bn, supported by continuous reinvestment flows.

2017-2018 Growth Prospects



Source: MOF Economic Report 2017/18

Brighter growth outlook

- **The Ministry of Finance expects growth prospects of the Malaysian economy to remain resilient at 5.0-5.5% in 2018,** after picking up to 5.2-5.7% this year, from the 4.2% growth in 2016. **The forecast range is a tad bullish in our view but the mid-point forecasts of 5.4% and 5.2% for this and next year are realistic nonetheless** (vs ours 5.4% for 2017 and 5.0% for 2018).

…led by domestic demand and further supported by a favouable external environment

- **Domestic demand is expected to remain the main growth pillar** despite projection for a more moderate increase of 5.5% YOY in 2018 (2017: +6.4%). **The private sector will continue to take the lead**, supported by sustained expansions in private investment and private consumption. Growth in private sector activities is expected to expand 7.3% YOY in 2018 (2017: +7.4%) while public sector activities are expected to decline by 0.4% YOY (2017: +3.1%).

More moderate and benign inflation at 2.5-3.5%

- **Inflation is expected to moderate to 2.5-3.5% in 2018, from the 3.0-4.0% projected range for 2017.** This was higher than our CPI forecast of 1.8% for 2018, which is still a softer reading vs 3.8% estimated for 2017. Dissipating base effect mainly from the adjustment in transport prices, still soft commodity prices and lack of demand-pull price pressure, are key attributes to the softer inflation outlook next year.

Unemployment rate to improve to 3.3% in 2018

- **Unemployment rate is expected to improve slightly to 3.3% in 2018** (2017: 3.4%) in line with improvement in domestic growth and employment outlook.

Current account surplus is projected to widen for a 2nd straight year in 2018, underpinned by surplus in the goods account

- **Current account surplus is expected to widen further to RM32.9bn or 2.3% of GNI in 2018.** Meanwhile, the current account surplus position for 2017 is revised significantly higher to RM32.3bn or 2.5% of GNI, a marked divergence from initial projection for a narrower surplus of RM17.4bn or 1.0-2.0% of GNI as stipulated in the BNM Annual Report released in March. **Higher balances in the goods account is expected to offset continued deficits in the services and income accounts.**

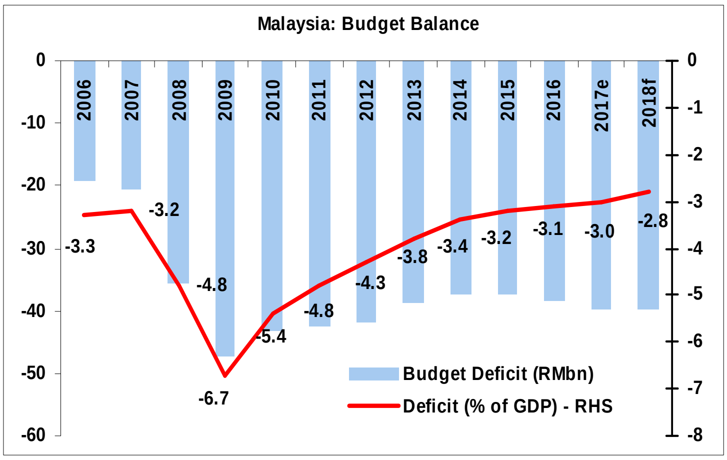
Fiscal consolidation on track…@ 3.0% of GDP in 2017 and 2.8% of GDP in 2018

- The government's commitment towards trimming its budget deficit is another laudable development. **Budget deficit is expected to narrow for the 9th consecutive year, to 2.8% of GDP in 2018** (2017: 3.0% of GDP) although absolute deficit is expected to stay little changed at RM39.8bn (2017: -RM39.9bn and slightly lower than the initial RM40.3bn budgeted). **Revenue and operating expenditure are expected to expand at similar paces** of 6.4% and 6.5% YOY to RM239.9bn and RM234.3bn respectively **while net development expenditure are also projected to stay flat** at RM45.4bn (2017: RM45.3bn). A bigger GDP base thanks to brighter growth outlook will also augur well with a lower deficit/ GDP ratio.

- We believe the government has room to maneuver either in trimming the deficit position more than expected or pumping up spending to further invigorate the economy next year. **The official oil price assumption for Brent is kept subdued at US$52/ barrel,** just marginally higher than the revised assumption of US$50/ barrel for 2017 (previous assumption of US$45/ barrel and YTD average of US$53/ barrel). **Any upside surprises in global oil prices are therefore expected to translate into higher revenue in the government coffer, providing the government more policy flexibility.**

Government debt to GDP pulled back further to 50.9%, but markets remain watchful over contingent liability

- **Total federal government debt to GDP has also been trending down, moderating to 50.9% of GDP as at end-Jun 2017.** Even though total debt has risen by 5.6% from end-2016 level to RM685.1bn as at end-Jun 2017, a lower percentage should alleviate concerns that total federal government debt could surpass the 55% self-imposed threshold. The bulk of the debt (97%) is Ringgit-denominated borrowings, suggesting minimal exposure to foreign currency risk.

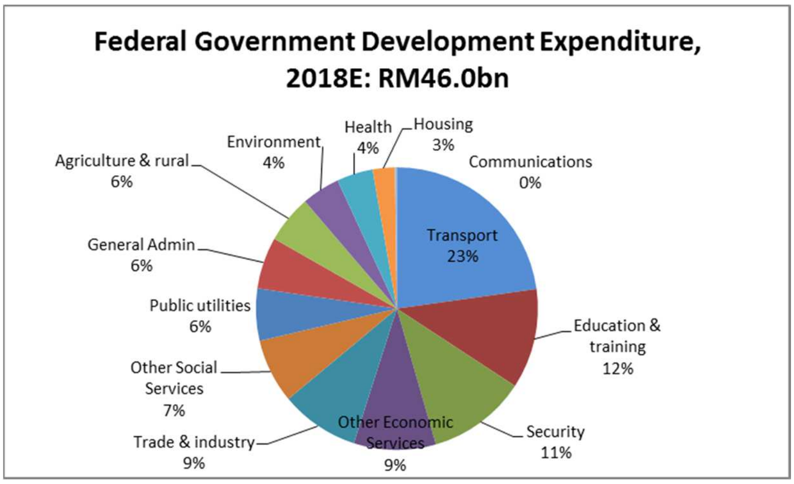


Source: MOF Economic Report 2017/18

Key Take-away from the 2018 Budget

- **An expansionary budget…** Budget allocation for 2018 is 7.5% higher at RM280.2bn, an increase from RM260.8bn in 2017. **Operating expenditure and gross development expenditure are expected to increase by 6.5% to RM234.3bn and 0.1% YOY to RM46.0bn respectively in 2018.** Higher allocations are being budgeted for debt service charges (+RM2.0bn), subsidies and social assistance (+RM3.5bn), as well as other opex (+RM7.1bn) which includes grants to statutory funds, public corporations, international organizations, insurance claims, and gratuities. The much talked-about concerns over higher emoluments and retirement charges, which are expected to account for 44% of total opex collectively, are expected to see more muted increases (+RM1.3bn) in 2018 compared to 2017 (+RM8.3bn).

- **The social sector remained the biggest recipient of operating expenditure (38% vs 40% in 2017)** - most notably education and healthcare, while the economic sector remains the biggest beneficiary of development expenditure allocation, at 57.3% (2017: 56.3%). Of these, the **bulk of the increase in development expenditure will continue to be channeled to transport (23%), and education (12%).**



- **In terms of revenue, income tax revenue will remain the biggest contributor,** accounting for RM119.4bn or 49.8% of total government revenue. **GST collection is projected to** surpass this year's forecast of RM40.0bn to probably settle at RM41.5bn, further increasing to **RM43.8bn in 2018.**

- Under 2018 Budget measures, **personal income tax will be reduced by 2%-point for taxable income of RM70k and below,** to help increase the disposable income of tax payers by between RM300-1000. Women who return to the workforce after at least two years of break will also be given tax exemption for 12 months of income.

- On housing, **RM2.2bn will be allocated to intensify efforts to increase home ownership under various programmes** such as People's Housing Programe (PPR), Rumah Mesra Rakyat, PRIMA, PPA1M, MyBNHomes, and MyDeposit & MyHomes involving 255,200 units. **Step-up financing scheme introduced by PRIMA will also be extended to private developers** subject to certain criteria. **The government is also proposing a 50% tax exemption on rental income not exceeding RM2k per month** received by resident individuals, effective YA2018 to YA2020.

- On initiatives to strengthen the capital markets, the proposal that stands out is **stamp duty exemption on contract note of Exchange-Traded Fund (ETF) and Structured Warrants for three years, effective Jan 2018.** The government also proposes that intellectual properties be used as an instrument of financial collateral with up to 80% financing guarantee. **In order to continue promote sustainable and responsible investment (SRI), income tax exemption will be given to recipients of the special Green SRI Sukuk grant totaling RM6.0m, and income tax exemption on income from management fee will be expanded to approved conventional SRI fund managers for YA2018 to YA2020.**

- **The government has also provided some updates on GST in the Budget, which are mainly business-related** and not consumer-specific that could benefit the rakyat. (Please refer Appendix for details)

- **We note the government commitment to develop human capital,** with budget measures spanning from allocation to build and upgrade schools and its facilities (RM3.9bn), RM250 book voucher, RM100 schooling assistance per student, higher cap for PTPTN loans for students from B40 family, scholarships, among others.

- **In a nutshell, this marked another year of a people-friendly budget with a lot of emphasis on improving disposable income of the targeted middle-income household, farmers and fishermen, which will eventually spill over to private consumption growth.** This will be done primarily through tax cuts, cash and social assistance (e.g. BR1M RM6.8bn). However, **contrary to expectations by some quarters for further increases in BR1M, the government has maintained this targeted assistance.** Instead, civil servants will be given RM1500 in special assistance and government retirees will receive RM750 in financial special assistance while the allowance for senior citizens will be increased by RM50 to RM350 per month.

- As in previous years, SMEs continued to be a focal point, with budgeted allocation to the tune of circa RM9.3bn through various schemes. **Budget allocations targeted at mega infrastructure spending and even smaller scale upgrading of social services are all expected to have chain effects**

on investment benefitting a wide spectrum of the economy notably the construction sector.

- **While there are short term measures to spur consumption and overall economic growth in the immediate term, the government also takes cognizance of structural reforms needed to ensure longer term growth sustainability** in laying the grounds to propel the country to become a high income nation by 2020 and further leapfrogging Malaysia to be among the top 20 countries by 2050 under the TN50 vision.

- In this regards, the government is taking the initiatives to develop the future generation via education and human capital development (allocation for cross-skilling, upskilling, reskilling, expert skilling programmes), enhancing the wellbeing of the society (social assistance, improving financing facilities for housing, expanding rent-to-own programmes for the low income group) and ensuring inclusivity (further narrow the rural-urban gap, promoting renewable energy, use of energy efficient technology), all of which would require a longer gestation period to reap the benefits.

Implications on USDMYR outlook

- **From the FX perspective, resilient growth prospects and continued fiscal consolidation path are expected to be positive for the MYR outlook.** USDMYR is expected to trend within a wide range of 4.18 – 4.26 through the remainder of the year. For 2018, the pair is expected to trend on a slight downward bias, with scope to test 4.10 or lower. Even as the Federal Reserve embarks on policy normalization, we reckon that pace of tightening would be gradual, limiting upsides in USDMYR. Meanwhile, MYR is likely supported by improving fiscal standing on continued narrowing of the budget deficit, as well as firm growth prospects.

- Key levels to watch for USDMYR in the near term include 4.25 and 4.28, above which further upside bias may strengthen. On the downside, USDMYR is likely to decline further once below 4.20, taking aim at 4.18, which if broken exposes a drop to 4.15 next.

Implications on MYR bonds market

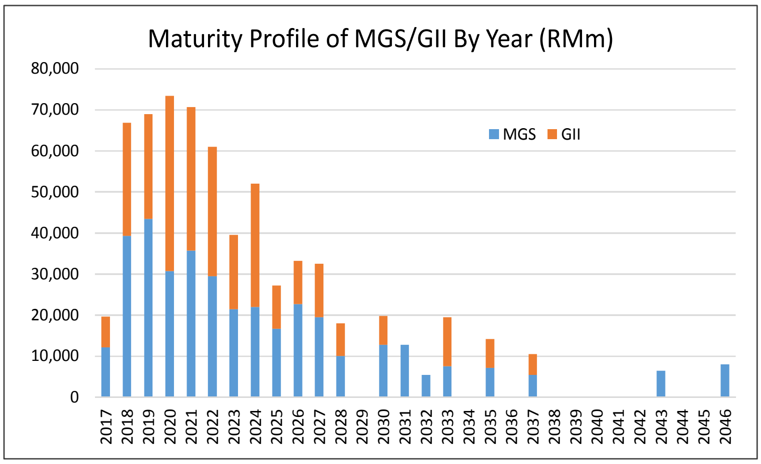
- **We are projecting relatively stable gross MGS/GII supply in 2018, circa RM107bn** taking into account sizeable maturity redemptions next year worth circa RM67bn, suggesting net supply will remain benign and little change from previous year's level at circa RM40.0bn, supported by continuous reinvestment flows.

RM (Billion)	2017	2018
MGS/GII Maturities	67.2	66.8
Net Govt Bond Supply (MGS/GII)	39.9	39.8
Gross Supply (MGS/GII)	**107.1**	**106.6**

Source: MOF Economic Report 2017/18; BPAM, HLBB Global Markets Research

- Federal Government's funding needs will be **funded primarily onshore** given that there are no scheduled USD Government of Malaysia (GoM) sovereign debt/sukuk maturing in 2018.

- **We project MGS/GII issuances for 2018 to be almost evenly distributed on a ratio of 55/45 and skew towards the belly of the curve** taking into account low level of maturities from 2028-2048. Hence much of the anticipated issuances may hinge on a combination of 5Y, 7Y, 10Y and 20Y tenures. We anticipate a busy issuance period during 1Q18 to reduce the impact of outflows taking into account some RM24.9bn of maturities.



Source: BPAM/ Bloomberg, HLBB Global Markets Research

- **Going into 2018, taking cue from scheduled MGS/GII maturities, there are sizeable maturity windows in 1Q, 3Q and 4Q.** Given the appeal of the MYR bonds supported by a resilient growth outlook and sound fundamentals, we expect funds from maturing MGS/GII to potentially return as reinvestments into the MYR bond space.

2018	Stock	Maturity by Month	Quarter	Maturity by Quarter
JAN	MGS 1/18	2,000		
FEB	MGS 2/18	14,100	Q1	24,886
MAR	MGS 3/18	8,786		
APR		-		
MAY	GII 5/18	7,500	Q2	7,500
JUN		0		
JUL		0		
AUG	GII 8/18	8,500	Q3	19,940
SEP	MGS 9/18	11,440		
OCT	MGS10/18 & GII 10/18	10,500		
NOV	GII 11/18	4,000	Q4	14,500
DEC		0		

Source: BPAM/ Bloomberg, HLBB Global Markets Research

Appendix I

Aggregate Demand

Gross Domestic Product by Expenditure Components 2010 Constant Prices (Percentage Change)

	2016	2017e	2018f	Factors Affecting Growth
Public Consumption	0.9	2.7	1.3	• Slowdown anticipated, led by re-prioritization and rationalization of non-critical expenditure
Private Consumption	6.0	6.9	6.8	• Growth to remain firm, underpinned by higher income coupled with a steady labour market, higher export earnings and firmer commodity prices • Government measures on cash handouts supportive of growth
Public Investment	-0.5	3.7	-3.1	• Contraction is expected amid lower capital spending by public corporations
Private Investment	4.3	9.3	8.9	• Capital spending is expected to remain strong in services sector, particularly in transport & storage, information & communication, and tourism-related industries • Growth likely to be boosted by various government measures such as National eCommerce Strategic Roadmap and participation in China's Belt and Road Initiative
Exports of goods and non-factor services	1.1	8.0	2.3	• Firm global demand will be supportive of exports, particularly in E&E and commodities
Imports of goods and non-factor services	1.1	9.9	2.5	• Imports growth will be underpinned by steady investment activity
GDP	**4.2**	**5.2 – 5.7**	**5.0 – 5.5**	

Note: e = Estimate, f= Forecast
Source: Economic Report 2017/2018, Ministry of Finance

Aggregate Supply

Gross Domestic Product by Industrial Origin (Percentage Change)

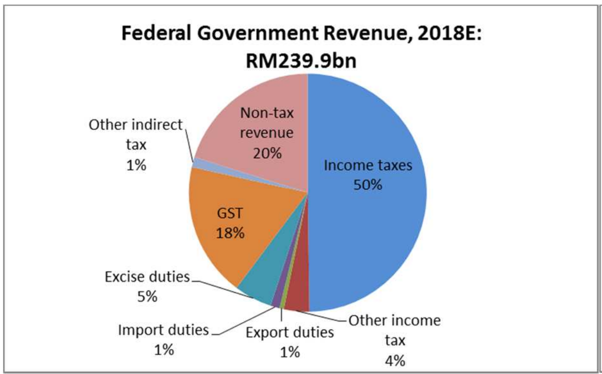
Sector	2016	2017e	2018f	Factors Affecting Growth
Agriculture	-5.1	5.6	2.4	• Slower growth anticipated • Strong domestic demand expected to support growth in output of food commodities, mainly livestock, fruits and vegetables
Mining & Quarrying	2.2	0.5	0.9	• Mild uptick mainly from higher production of natural gas, led by higher global demand as well as boosted by completion of various O&G projects
Manufacturing	4.4	5.5	5.3	• Moderation expected but headline figure likely to remain decent • Firm global demand is expected to support demand for E&E, refined petroleum and woods products; on domestic-oriented industries, growth is driven by on-going construction projects and strong demand for consumer products
Construction	7.4	7.6	7.5	• Tapered off slightly but commendable growth pace expected • Growth is supported by on-going civil engineering projects such as East Coast Rail Link, MRT SSP line and Pan Borneo Highway, amongst others • Residential subsector to remain firm with new planned townships by private developers, and affordable public housing projects
Services	5.6	5.9	5.8	• More modest growth expected amid moderate expansion in major contributors wholesale & retail trade and food & beverages, supported by steady domestic consumption and tourist arrivals • Services sector remains supported by quicker expected growth in information and communication as well as finance & insurance subsectors
GDP	**4.2**	**5.2 – 5.7**	**5.0 – 5.5**	

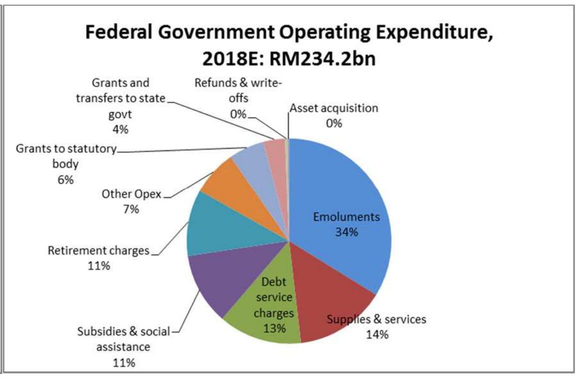
Note: e = Estimate, f= Forecast
Source: Economic Report 2017/2018, Ministry of Finance

Federal Government Finance (RM million)

	2014	2015	2016	2017③	2018④
Revenue	220,626	219,089	212,421	225,337	239,860
% change	3.4	-0.7	-3.0	6.1	6.4
Operating Expenditure①	219,589	216,998	210,173	219,910	234,250
% change	3.9	-1.2	-3.1	4.6	6.5
Current Surplus/Deficit	1,037	2,091	2,248	5,427	5,610
Gross Development Expenditure	39,503	40,768	41,995	45,962	46,000
% change	-6.4	3.2	3.0	9.4	0.1
Direct Expenditure	37,624	38,596	40,052	43,078	44,404
% change	-7.0	2.6	3.8	7.6	3.1
Gross Lending	1,879	2,172	1,943	2,884	1,596
Minus Loan Recoveries	1,052	1,483	1,346	648	600
Net Development Expenditure	38,451	39,285	40,649	45,314	45,400
% Change	-5.5	2.2	3.5	11.5	0.2
Overall deficit	**-37,414**	**-37,194**	**-38,401**	**-39,887**	**-39,790**
% of GDP	**-3.4**	**-3.2**	**-3.1**	**-3.0**	**-2.8**
Sources of Finance					
Net External Borrowing	-356	727	834	76	-
Net Domestic Borrowing	37,557	38,931	37,859	40,750	-
Change in assets②	213	2,484	-292	-939	-

Note: ① Excludes intra account transfers such as Development Fund
② Indicates a draw down of assets
③ Revised estimate
④Budget estimate
Source: Economic Report 2017/2018, Ministry of Finance





Source: Economic Report 2017/2018, Ministry of Finance

Balance of Payments (RM Billion)

	2013	2014	2015	2016	2017e	2018f
Balance on Goods	96.55	113.33	109.22	101.38	109.13	114.37
Balance on Services	-9.59	-10.71	-20.63	-19.09	-18.84	-22.69
Primary Income	-33.98	-36.62	-32.11	-34.64	-40.07	-41.02
Secondary Income	-17.50	-17.44	-21.33	-18.63	-17.91	-17.72
Balance on Current Account	**35.49**	**48.55**	**35.16**	**29.02**	**32.31**	**32.94**
Capital Account	-15.0	0.34	-1.14	0.11	-	-
Financial Account	-20.22	-79.95	-55.35	-1.13	-	-
Direct Investment	*-6.28*	*-17.97*	*-1.81*	*14.13*	-	-
Portfolio Investment	*-3.01*	*-39.35*	*-26.12*	*-15.42*	-	-
Financial derivatives	*-253*	*-0.98*	*-0.66*	*-0.80*	-	-
Other Investment	*-10.68*	*-21.65*	*-26.76*	*0.96*	-	-
Errors & Omissions	-0.61	-5.45	*25.08*	-13.23	-	-
Overall Balance	14.65	-36.51	3.75	14.78	-	-

Note: p=preliminary; f=forecast
Source: MOF Economic Report 2017/2018

Appendix II: GDP and Inflation of Selected Economies

Selected Industrial Countries: Major Economic Indicator

	2012	2013	2014	2015	2016	2017e	2018f
Real GDP Growth (%)							
World	3.4	3.3	3.4	3.2	3.2	3.6	3.7
Advanced Countries	1.2	1.1	1.8	2.1	1.7	2.2	2.0
United States	2.3	1.5	2.4	2.6	1.5	2.2	2.3
Japan	1.5	1.6	-0.1	0.5	1.0	1.5	0.7
Euro area	-0.7	-0.3	0.9	2.0	1.8	2.1	1.9
Germany	0.9	0.4	1.6	1.5	1.9	2.1	1.8
United Kingdom	0.3	1.7	3.0	2.2	1.8	1.7	1.5
Inflation Rate (%)							
Advanced Countries	2.0	1.4	1.4	0.3	0.8	1.7	1.7
United States	2.1	1.5	1.6	0.1	1.3	2.1	2.1
Japan	0.0	0.4	2.7	0.8	-0.1	0.4	0.5
Euro area	2.5	1.3	0.4	0.1	0.2	1.5	1.4
Germany	2.1	1.6	0.8	0.1	0.4	1.6	1.5
United Kingdom	2.8	2.6	1.5	0.1	0.7	2.6	2.6

e - estimate *f - forecast*
Source: IMF and national authorities

ASEAN: Gross Domestic Product and Inflation

	2012	2013	2014	2015	2016	2017e	2018f
Real GDP Growth (%)							
Indonesia	6.0	5.6	5.0	4.8	5.0	5.0-5.4	5.3
Malaysia	**5.5**	**4.7**	**6.0**	**5.0**	**4.2**	**5.2-5.7**	**5.0-5.5**
Philippines	6.7	7.1	6.1	5.9	6.9	6.5-7.5	6.7
Singapore	3.4	4.4	2.9	2.0	2.0	2.0-3.0	2.6
Thailand	7.3	2.8	0.9	2.8	3.2	3.5-4.0	3.5
Inflation Rate (%)							
Indonesia	4.0	6.4	6.4	6.4	3.5	4.0	3.9
Malaysia	**1.7**	**2.1**	**3.2**	**2.1**	**2.1**	**3.0-4.0**	**2.5-3.5**
Philippines	3.2	2.9	4.2	1.4	1.8	3.1	3.0
Singapore	4.6	2.4	1.0	-0.5	-0.5	0.9	1.3
Thailand	3.0	2.2	1.9	-0.9	0.2	0.6	1.0

e - estimate *f – forecast*
Source: IMF and various national sources

Appendix III: Key budget measures

Capital Market

i) RM 1.5bn for business loans using intellectual property as collateral instrument with up to 80% financing guarantee
ii) Exemption of stamp duty on Exchange-Trade Fund and Structure Warrants contracts for 3 years, effective Jan 2018
iii) RM 1bn by major institutional investors for investment in venture capital in main selected sectors, coordinated by Securities Commission
iv) Tax deduction equivalent to investment amount made in venture capital firms, limited to maximum of RM 20m annually
v) Extend the income tax exemption incentive equivalent to the amount of investment by angel investors in venture companies to 31 Dec 2020
vi) Income tax exemptions to Green SRI Sukuk SRI grant recipients totalling RM 6m
vii) Income tax exemptions on management fees extended to approved conventional SRI fund managers from year of assessment 2018 to 2020
viii) BNM monitoring of salary payments of foreign workers, excluding domestic helpers, through local bank accounts

Income tax and tax incentives

i) Reduction individual income tax rates as follows:
- RM20,001-35,000: 5% to 3%
- RM35,001-50,000 : 10% to 8%
- RM50,001-70,000: 16% to 14%

i) Extend the incentive period for Accelerated Capital Allowance on automation equipment 2018-2020
ii) Accelerated Capital Allowance Incentive up to 200% for manufacturing and manufacturing-related-services sectors
iii) Capital Allowance Incentive for ICT equipment beginning 2018-2020

Goods and Services Tax (GST)

i) Services provided by local authorities will not be subjected to GST;
ii) Reading materials comprising all types of magazines and comics will be zero-rated;
iii) GST relief for cruise operators;
iv) Full GST relief for services of construction of school buildings and houses of worships funded through donations;
v) GST relief for imports of oil and gas-related equipment under lease agreement;
vi) GST relief for imports of big ticket items such as aircraft and ship by airlines and shipping companies; and
vii) Management and maintenance services of stratified residential buildings are not subjected to GST.

Small & Medium Enterprises

i) RM 7.0bn for Skim Jaminan Pembiayaan Permiagaan (SJPP); out of which RM 5bn is for working capital and RM 2bn is for 70% government guaranteed loan for services sector including Industrial Revolution 4.0
ii) RM 1bn for 70% government guaranteed loan under SJPP to automate production processes
iii) Increasing RM 1bn allocation to Shariah-compliant SME Financing Scheme to a total of RM 2.5bn – subsidizing 2% of profit earned to east the costs of financing
iv) RM 200m to SME Corp for training, grants and loans
v) RM 82m for development of the industry and halal products at various agencies

Micro Financing

i) RM 500m to TEKUN
ii) RM 200m to Amanah Ikhtiar Malaysia
iii) RM 80m to Bank Rakyat and SME Bank to provide financing to rural Bumiputera under Rural Economic Financing Scheme

Housing/ Property

Projects	Unit	Agency
Rakyat Housing Project	17,300	JPN
Rakyat Mesra Houses	3,000	SPMB
PR1MA	210,000	PR1MA
PPA1M	25,000	JPN
MyBNHome	600	NSU
MyDeposit & MyHomes	2,000	JPN

i) Maintenance and refurbishment of houses including 1Malaysia Maintenance Fund: (RM200m)
ii) Stamp duty exemption for loan agreement and letter of consent to transfer
iii) Tax exemption on rental of 50% for rent up to RM2,000

Public Sector Home Financing Board (LPPSA)

i) LPPSA financing on real estate developed on waqf land
ii) Legal fee-related to sales and purchase agreement included as part of financing by LPPSA
iii) LPPSA joint-loan for husband and wife or children (all applicants must be public servants)
iv) Allow joint-home financing between husband and wife or children, with a condition at least one of the applicants is a public servant.

Infrastructure/ Logistics Sector

i) East Coast Rail Link project to connect Port Klang – Pork Kubor
ii) MRT 2 Sungai Buluh – Serdang – Putrajaya (52km) costing RM 32bn
iii) High Speed rail project to connect Kuala Lumpur – Singapore (350km)
iv) Central Spin Road project costing RM 230m
v) Declaration of Pangkor Island as duty free island
vi) Special Border Economic Zone at Bukit Kayu Hitam
vii) RM 3bn for Transportation Development Fund
viii) RM 1bn for Public Transportation Fund for working capital and purchases of buses and taxis
ix) RM 45m biometic control system for monitoring of express bus drivers
x) RM 55m for subsidizing rural train services
xi) Upgrading the international airports of Penang and Langkawi
xii) RM 2bn for Pan-Borneo Highway project
xiii) RM 1.1bn for people-centric projects
xiv) RM 1bn for development of communication infrastructure
xv) RM 934m for construction of roads in rural areas
xvi) RM 672m to supply electricity and clean water to rural areas
xvii) RM 420m to supply clean water to Sabah and Sarawak
xviii) RM 500m for Public Infrastructure Maintenance & Basic Infrastructure Programs
xix) RM 50m for surveying and mapping of customary land in Sabah and Sarawak

Sustainable Development

i) Green Technology Financing Scheme to promote investment in green technology industry: (RM5b)
ii) Non-Revenue Water Programme to reduce loss of water: (RM1.4b)
iii) Construction Off-River Storage as an alternative water resources; (RM1.3b)
iv) Flood mitigation programmes: (RM517m)

Agriculture Sector

i) RM 2.3bn for assistance and incentives such as fertilizers and productive inputs to farmers, smallholders and rubber tappers and fishermen
ii) RM 500m to improve irrigation infrastructure in agricultural areas and to upgrade the standard of estate roads
iii) RM 140m for palm oil development and re-planting program
iv) RM 200m for agriculture as new sources of income program
v) RM 150m for assistance to farmers; RM 200 for 3 months while awaiting paddy harvest
vi) RM 200m for rubber re-planting program and infrastructure facilities for latex production

Tourism Industry

i) Declaration of year 2020 as Visit Malaysia Year
ii) RM 2bn to SME Tourism Fund to provide soft loans to tour operators with interest subsidy of 2%
iii) RM 1bn to Tourism Infrastructure Development Fund
iv) RM 500m for Tourism Development and Promotion Program
v) Expansion of eVisa regional hub
vi) Extend the tax incentive for investments in new 4- and 5-star hotels by 2 years
vii) Extend the income tax exemption in tourism industry to 31 Dec 2020

Healthcare Tourism Industry

i) RM 30m to Malaysian Healthcare Travel Council for the following initiatives:
  - Fertility and Cardiology Treatment Hub
  - Flagship Medical Tourism program
  - Extend the tax incentive of healthcare tourism to 31 Dec 2020
  - Tax reduction of up to 2 times for dental and ambulatory services
  - Increase the special tourism healthcare incentive from 50% to 100% of incremental value of exports for private healthcare services, beginning year of assessment 2018 to 2020

Healthcare

i) Medical supplies, consumables and medical support: (RM4.1b)
ii) Upgrade and maintenance of healthcare facilities, medical equipment and ambulance and operation theatre for Muar, Banting and Balik Pulau hospitals: (RM1.4b)
iii) Cardiology & cardiothoracic services at Kuala Terengganu and Alor Setar hospitals;
iv) Upgrade of hospitals and clinics including wiring systems: (RM100m)
v) Haemodialysis assistance and Medical Aid Fund: (RM90m)
vi) Support medical cost for rare diseases treatment and Komuniti Sihat Perkasa Negara programme: (RM40m)
vii) Construction of women and children wards at Tengku Ampuan Afzan Hospital and Putrajaya Hospital: (RM1b)
viii) Construction of Cancer Centre at Sungai Petani Hospital capacity 200 beds – (RM500m)
ix) Construction of a specialist clinic and new ward at Pulau Pinang Hospital: (RM500m)
x) Construction of Forensic Medical Centre at Kuala Lumpur Hospital: (RM380m)
xi) Voluntary Health Insurance Scheme (VHIS): (RM50m)
xii) Extend the medical facilities to parents of retirees of Public Servants
xiii) Increase total maternity leave from 300 to 360 days subject to a maximum of 90 days a year
xiv) Provide retirement benefit to public servants who retire on medical reasons

Education/ Training & Childcare

Childcare Centre and Welfare Facilities for Persons with Disabilities (PWDs)

i) Require all new office buildings to provide childcare centres, starting with Kuala Lumpur
ii) Additional tax deductions to be extended to employers hiring PWDs certified by SOCSO

Inculcating Savings Culture for TN50 Generation

i) Provision of Initial Savings Fund of RM 200 for children born from 1 Jan 2018 to 2022 via PNB's Unit Trust Scheme

Education for TN50 Generation

i) RM 250m for the following initiatives:
  - Setting up of Science, Technology, Engineering and Mathematics (STEM) centre
  - Enhancing Computer Science module including Coding programme in primary and secondary school curriculums
  - RM 190m to upgrade 2,000 classes into smart classrooms
  - RM 20m to Cultural Economy Development Agency

Higher Education

i) RM 2.2bn for scholarships provided by Public Service Deparmtent, Minsitry of Higher Education and Ministry of Health
ii) RM 400m to Public Higher Learning Institutions for research and development grants
iii) RM 90m for MyBrain Program for 10,600 individuals to further studies in Masters and PhD
iv) Provision of RM 250 worth of book voucher assistance each to students of higher learning institutions and form six

Improvement and Maintenance of Schools

i) RM 654m to construct pre-schools, PERMATA center, primary and secondary schools, vocational colleges and matriculation centers

ii) RM 550m as special fund for upgrading and maintenance of schools as follows:
- RM 250m for National schools
- RM 50m for National-type Chinese schools
- RM 50m for National-type Tamil schools
- RM 50m for missionary schools
- RM 50m for boarding schools
- RM 50m for MARA junior science colleges
- RM 50m for government-aided religious schools

iii) RM 2.5bn to rebuild and upgrade 2,000 dilapidated schools; out of which RM 500m is for schools in Peninsular Malaysia, RM 1bn in Sabah and RM 1bn in Sarawak

Schooling Assistance

i) RM 2.9bn for food assistance, textbooks, capital grant assistance and Federal scholarships

ii) RM 328m to provide schooling assistance of RM 100 each student

Higher Education Funding – PTPTN loan repayment

i) 20% discount for full settlement of outstanding debt

ii) 10% discount for at least 50% repayment of outstanding debt in a single payment

iii) 10% discount for repayment through salary deduction

iv) RM 200m increase to total maximum loan for students from B40 families

v) Extension of grace period for loan repayment after completion of study to 12 months from 6 months

1Malaysia Education Saving Scheme

i) RM 250m to 500,000 contributors aged between 7 and 12

ii) Matching grant of RM 500 to contributors with total contribution of at least RM 500

iii) Individual income tax relief for net savings of up to RM 6,000 to be extended for another 3 years, effective 2018

Technical and Vocational Education Training (TVET)

i) All TVET institutions under 7 Ministries will be merged and known as TVET Malaysia

ii) RM 4.9bn for implementation of TVET Malaysia Masterplan

iii) RM 4.5m to provide scholarships to 100 TVET outstanding students

National Rail Centre of Excellence (NRCOE)

i) Establishment of NRCOE to oversee and coordinate quality assurance, accreditation as well as education and training of national rail

ii) Training of 3,000 professionals in the industry through public institutions of higher learning collaboration with Malaysia Rail Link Sdn Bhd

Welfare of FELDA settlers

i) RM 5,000 special incentive payment to settlers

ii) RM 43m for reimbursement of cess money for replanting scheme from rubber to oil palm

iii) RM 60m oil palm replanting program

iv) RM 164m for construction of 5,000 FELDA Second Generation home

v) RM 200m for upgrading of roads, water supply system and street lights in FELDA

Orang Asli

i) RM 50m for Community Food Assistance Program to 5,000 Orang Asli students

ii) RM 3,000 education assistance to parents for payment fees and cost of living for enrolment into public institutions of higher learning

iii) RM 60m for Orang Asli Settlement Integrated Program

Women and Family Wellbeing

i) Requiring at least 30% participation of women as Board of Directors in GLCs, GLICs and Statutory Bodies by end of 2018
ii) Raising mandatory maternity leave for private sectors from 60 days to 90 days
iii) RM 20m to PEAK entrepreneur Program under MyWin Academy
iv) Individuals income tax exemption on income earned within 12 months for women returning to the workforce at least 2 years after work break

Civil servants

i) Special Assistance to Civil Servants of RM1,500
ii) Set minimum pension of RM1,000 per month

Others

i) Abolish toll collections starting from 1 January 2018 at Batu Tiga and Sungai Rasau, Selangor, Bukit Kayu Hitam, Kedah and Eastern Dispersal Link, Johor.
ii) ***National Blue Ocean Shift (NBOS) -*** RM 300m to construct new Urban Transformation Centers, Blue Ocean entrepreneur Township, Mobile CTC, entrepreneurship programs
iii) Allow employers to hire foreign domestic helper directly without agent.
iv) Increase allowance for senior citizens to RM350 per month: (RM603m)
v) Increasing allowance for working and unemployed PWDs as well as caretakers of PWDs by RM50 per month: (RM100m)
vi) eRezeki, eUsahawan dan eLadang programme: (RM100m)
vii) Easy loans for Food Truck 1Malaysia (FT1M) through Bank Rakyat with interest rate of 2%: (RM120m)
viii) 1AZAM Programme to increase revenue: (RM60m)
ix) Three-wheel Motorcycle Programme, mobilepreneur and MyAGROSIS programme: (RM25m)
x) E-hailing application for registered taxi driver to purchase new taxi: (grant RM5,000)
xi) Provide 50 Kedai Rakyat 1Malaysia (KR1M) by selling 5 basic necessities at lower prices: rice, sugar, oil, flour & gas cooking as well as other 50 SKU
xii) Standardise prices for basic necessities for Sabah and Sarawak: (RM90m)
xiii) Develop Agrobazaar Malaysia with lower selling price of agro products: (RM20m)
xiv) LKIM and FAMA programme to ensure reasonable food stock: (RM50m)
xv) Matching Grant under Domestic Investment Strategic Fund to enhance smart manufacturing facilities: (RM245m)

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