Press Release

25 October 2013

Comments on Budget 2014 by Datuk Abdul Farid Alias, President & CEO of Maybank and Chairman of the Association of Banks in Malaysia

"BUDGET 2014 CONTINUES TO STRENGHTEN ECONOMIC FUNDAMENTALS, SAFEGUARD FISCAL SUSTAINABILITY AND FINANCIAL STABILITY"

We are pleased that Budget 2014 addresses the key concerns that most, if not all citizens have for the country at the moment. At the same time, it addresses the long term economic objectives of the country, aligning it to the National Transformation Policy, and hence Vision 2020, of elevating the country to a high income nation. We believe that the budget is primarily about "sovereign governance" to strengthen economic fundamentals, safeguard fiscal sustainability and financial stability, as well as maintain our current high investment grade credit rating.

Despite the 17th consecutive year of deficit spending, the budget deficit will narrow for the fifth straight year to MYR37.1b or 3.5% of GDP, down from MYR39.3b or 4% of GDP estimated for this year, thus staying on track to achieve the target of lowering the gap to 3% by 2015 and achieving a balanced budget by 2020. Crucially, the Government will continue to maintain a current or operating budget surplus of MYR6.4b (2013E: MYR4.2b) by ensuring operating expenditure is fully-funded by revenues.

Obviously the Government needs to strike a balance between maintaining fiscal discipline and sustainability; supporting economic growth amid the fluid global economic and financial market conditions; as well as attending to the *rakyat's* well being.

Besides ensuring that the country stays on the fiscal consolidation path via further budget deficit reduction, we welcome the fiscal reform announcements by YAB Prime Minister, especially the decision to introduce a 6% Goods and Services Tax (GST) on 1 Apr 2015 to replace the current 5%-10% Sales Tax and the 6% Services Tax, which together with the implementation details, will put to rest the speculations and uncertainties over the matter so that consumers and businesses can prepare for it. We are also appreciative of the fact that selected financial services are exempted from GST.

We note that this Budget continues to provide support to the financial sector growth and development. Continuation of high-impact major infrastructure and investment projects is positive for the banking sector and the capital market in terms of continuing to supporting fund raising and market activities. Incentives for the SMEs and Private Retirement Scheme (PRS), the formulation of the Netting Act to promote derivative trading, and steps to develop Malaysia as a market for Socially Responsible Investment will further broaden and deepen the financial industry and the capital market in terms of the product offerings and the range of services.

We welcome the various measures to address people's concerns regarding cost of living, income and affordable housing, such as the increased and expanded BR1M 3.0, the special personal income tax relief of MYR2,000 for the middle income group as well as allocation and incentives for construction of affordable homes.

Meanwhile, we view the third year of hike in RPGT and other measures like the minimum price of property that can be purchased by foreigners from RM500,000 to RM1,000,000 and the prohibitions on property projects with Developer Interest Bearing Schemes (DIBS) as necessary to ensure manageable rise in property prices and prevent destabilising speculative activities.

All in all, a good balanced budget for the people, economy and the Country