Press statement **2 November 2018**

Comments on Budget 2019 by Datuk Abdul Farid Alias, Group President and CEO, Maybank and Chairman of the Association of Banks in Malaysia

The Budget is a plan for respectable growth while facing an uncertain global trade environment. On the one hand it needs to spur the country to a respectable growth in an environment constrained by global uncertainties from the trade war between US and China, while at the same time provide relief primarily to the B40, and ensuring a path towards zero fiscal deficit. It is however in line with our expectations of above -3% deficit to GDP ratios of -3.7% in 2018 and -3.4% in 2019. We see this as a temporary situation as the Government commits to reduce the ratio to 3% of GDP in 2020 and 2.8% of GDP in 2021 with a medium term target of -2.0%.

Measures to strengthen and reform the management of public finances as well as enhance tax revenues such as the Special Voluntary Disclosure Programme to declare unreported incomes; Services Tax on imported professionals, IT and online services; revamping real property gains tax; airport passenger departure levy; hikes in gaming tax; and introduction of soda tax are reasonable, fair and also in line with the current global trends of enhancing tax compliance as well as taxing services, wealth and digital economy.

The fiscal reforms and revenue enhancing measures are balanced with growth-and-people-centric incentives and spending, focusing on supporting and promoting SMEs, digital entrepreneurship and technology-adoption as well targeted activities like the Principal Hub to boost private investment, productivity and competitiveness.

Furthermore, the MYR37b GST and income tax refunds as well as the increase in monthly minimum wage to MYR1,100 will be positive for consumer and business spending.

Subsidies, financial assistance and social safety nets are more focused as well as needs-and-merits-based, for example via the improved cash handouts, targeted fuel subsidy, public transport pass, national B40 Health Protection Fund and housewives retirement savings.

We see property sector as the biggest winner of this Budget with a variety of measures, ranging from specific allocations for supply - and financing of first-time purchases - of affordable housing, as well as stamp duty exemptions and property crowdfunding to help the industry clear the supply overhang and place it on a path to sustainable growth. We expect the banking sector will also see respectable growth especially across the consumer and SME segments.

The challenge for the Government now is to execute the Budget well and be able to react to changing market circumstances very quickly.