

MALAYSIA WEEKLY ECONOMIC NEWS

(24 September 2018 –30 September 2018)

Topics	Highlights
<p>Lean Budget 2019 expected as govt deals with challenges</p>	<p>The government is expected to announce deep cuts to the federal budget, promising to maintain the fiscal deficit at 2.8% of GDP, amid expectations of a slower economic growth. The tabling of the annual budget in Parliament will likely reveal lower allocations for operating and developmental expenditures as the new government copes with hefty debts left by the previous administration. Earlier this year, Finance Minister, Lim Guan Eng projected fiscal deficit would tilt slightly higher at RM40.1 billion in 2018 from RM39.8 billion in 2017, which would keep the budget deficit at 2.8%. However, rising trade tensions between the US and China and a lower 2018 growth forecast of 5% by the Central bank have added to the downside risks of meeting the target. The government's cost rationalisation exercise has so far included slashing Cabinet ministers' salaries by 10%, terminating contracts of political appointees and reviewing the East Coast Rail Link and other procurement projects. The government is also expected to benefit from rising oil-related revenues, increased dividends from government linked entities and the new Sales and Services Tax.</p> <p><i>(Source: The Malaysian Reserve, 28 September 2018)</i></p>
<p>Construction costs expected to go down by 5% due to SST exemption</p>	<p>Construction costs of residential properties are expected to be reduced by 3% to 5% due to the Sales and Service Tax (SST) exemption on basic construction materials, said CEO of Construction Industry Development Board (CIDB), Datuk Ahmad Asri Abdul Hamid. However, whether or not the reduction in construction costs would translate to a reduction in housing prices would depend on market conditions and developers. Other factors such as land and compliance costs also come into play. As such, he said the decision to take action against construction and property industry players if housing prices do not drop may not be the most appropriate. This is in response to a statement by Finance Minister, Lim Guan Eng that the SST waiver on construction services and materials would be reviewed if housing prices are not reduced. Datuk Ahmad Asri also urged, for all property developers to take active measures to drive down prices. Finance Minister previously announced that construction services and building materials cost would not be charged the SST. So far, SST is exempted for basic materials such as bricks, cement, sand and iron.</p> <p><i>(Source: The Star Online, 28 September 2018)</i></p>
<p>Malaysian economic growth to ease in Nov 2018 to Jan 2019</p>	<p>Malaysia's economy is expected to continue growing at a slow rate, between November 2018 to January 2019 in view of the current moderate trend, says the Department of Statistics, Malaysia. The monthly change of Leading Index increased by 0.2% to 118.6 points from 118.4 points in June 2018. Chief Statistician, Datuk Seri Dr Mohd Uzir Mahidin said five out of the seven Leading Index components contributed to the increase, with the highest contribution from Real Imports of Semi Conductors at 0.5%. In contrast, the annual change of Leading Index decreased slightly at negative 0.1% in July 2018. Leading Index was designed to monitor economic performance for an average of four to six months ahead. Meanwhile, the Coincident Index, a measure of current economic activity, grew by 1.6% in July 2018 with positive contributions from all of its components. The Capacity Utilisation in Manufacturing sector grew by 0.4% and was the main component that contributed to the increase, while the annual change of CI rose to 3.9%.</p> <p><i>(Source: The Star Online, 24 September 2018)</i></p>