MALAYSIA WEEKLY ECONOMIC NEWS

(30 October 2017 – 3 November 2017)

Topics	Highlights
Fitch sees downside risks to Govt's optimistic revenue target for 2018	Fitch Ratings sees downside risk to the Malaysian government's optimistic revenue projections as contained in the Budget 2018 proposals unveiled last Friday. The Government's 2018 GDP growth forecast of 5.0%-5.5% assumes that strong recent momentum will be maintained, but there could be some headwinds from cooling external demand. Shortfalls in revenue collection would most likely be offset by corresponding expenditure cuts to meet the deficit target. Fitch said Malaysia's Government revenue remains sensitive to oil price movements, despite a dramatic drop in the federal budget's share of oil and gas revenue in the previous few years. *(The Star, 30 October 2017)*
Malaysia drops one place in 'ease of doing business' rankings	Malaysia dropped one notch to number 24 in the World Bank's annual ease of doing business rankings. The report, which is a survey among 190 countries, takes into account the processes that an entrepreneur has to go through to start and operate a business in the country. Malaysia fell a notch lower despite an increase in the over-all score to 78.43 compared to 77.47 in 2016. Doing Business takes into consideration what procedures an entrepreneur has to undergo when dealing with construction permits, getting electricity, registering property, getting credit, paying taxes and so on. The report also takes note of the Government initiatives and reforms that improve or hinder business activities in the country. (*The Star, 31 October 2017*)
Budget 2018 expected to bring in RM350 billion of construction projects	Construction projects worth RM350 billion are expected to come onstream over the next two to three years with the announcement of Budget 2018. Outstanding projects in the construction industry are estimated to be worth at least RM138 billion currently. While Budget 2018 did not specifically mention allocations for the construction industry, the Government had allocated RM2.2 billion for public housing projects such as 1Malaysia People's Housing Programme (PR1MA). Affordable housing projects under Budget 2018 like PR1MA, apart from rail transportation projects such as Mass Rapid Transit Line 3 or Circle Line, among others, will definitely spur the construction industry in Malaysia and stimulate economic growth. *(The Star, 2 November 2017)*
Moody's: Risks to budget GDP assumptions skewed to downside	Budget 2018 has not provided firm policy measures for revenue reform, despite emphasising the need for fiscal deficit reduction, according to Moody's Investors Service. While Moody's expect the deficit target to be met given the supportive growth and commodity price environment, risks to the budget assumptions for GDP and revenues are skewed to the downside. According to budget assumptions, revenues will continue to decline as a proportion of GDP, to 16.6% in 2018 from 16.8% in 2017, a continuation of the trend seen since 2012 (when revenues stood at 21.4% of GDP), and leaving the ratio among the lowest of A-rated sovereigns. Debt, as a proportion of revenue, would continue to exceed those ratios of similarly rated and even lower-rated sovereigns. Generally, the budget relies on the underlying assumption of an expansion in GDP to the tune of 5% to 5.5% in 2018 from 5.2% to 5.7% in 2017. *(The Star, 3 November 2017)*

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