



社会经济研究中心
SOCIO-ECONOMIC
RESEARCH CENTRE

CGS-CIMB Malaysia Investor Corporate Day

Malaysia: A Reset, A Slowdown

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Executive Director

5 January 2023

Agenda



Is the global economy on the verge of recession?



What are factors impacting 2023 growth prospects for Malaysia?



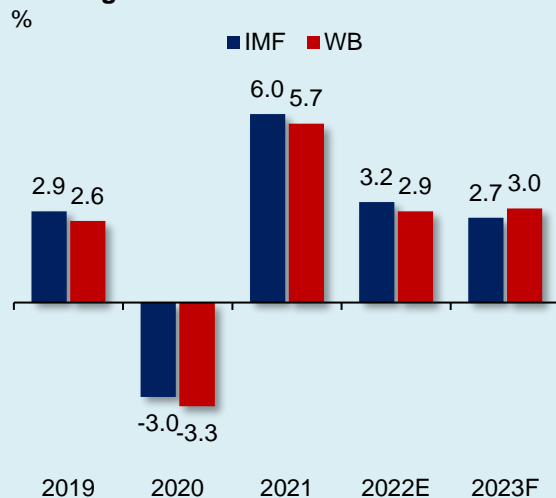
Post GE 15 Policy Landscape

Global Economic Outlook

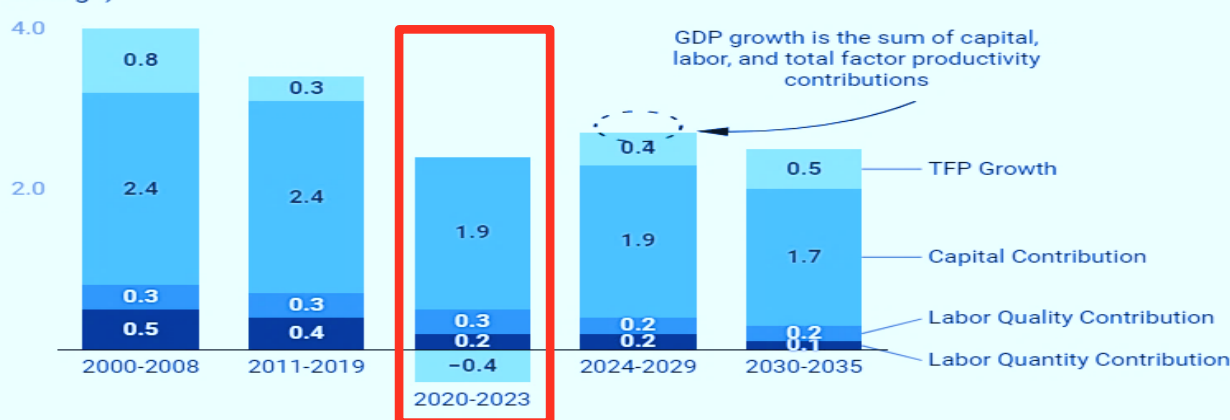
- Feel like global recession...
- A “mild and shallow’ recession in the US and Europe
- China’s better growth comes spring as zero COVID-19 strategy ends
- Global inflation may have peaked but...
- Central banks’ subtle monetary shift, not pivot to rate cuts

The global economic trend growth rate is weakening

Global growth estimates



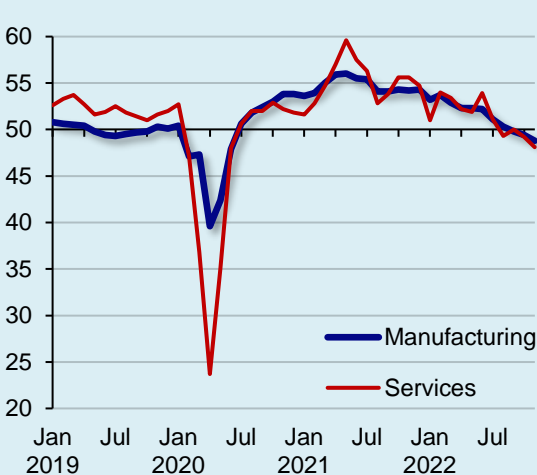
Contribution of factor inputs and efficiency changes to global GDP growth (average annual % change)



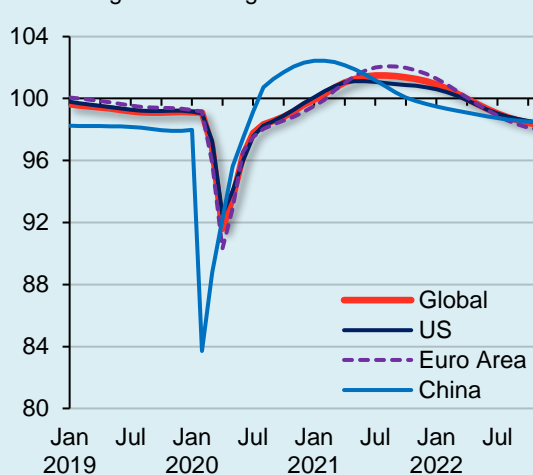
Global GDP contributions are calculated using shares in nominal PPP converted GDP.

Source: The Conference Board Global Economic Outlook 2023 • Download image • Created with Datawrapper

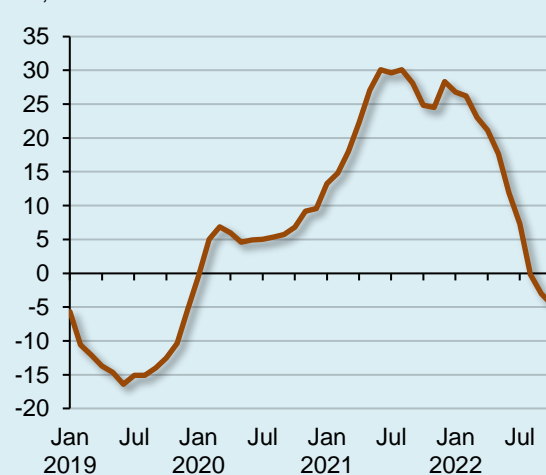
Global PMI for manufacturing & services



OECD Composite Leading Indicators (CLI)



Global semiconductor sales

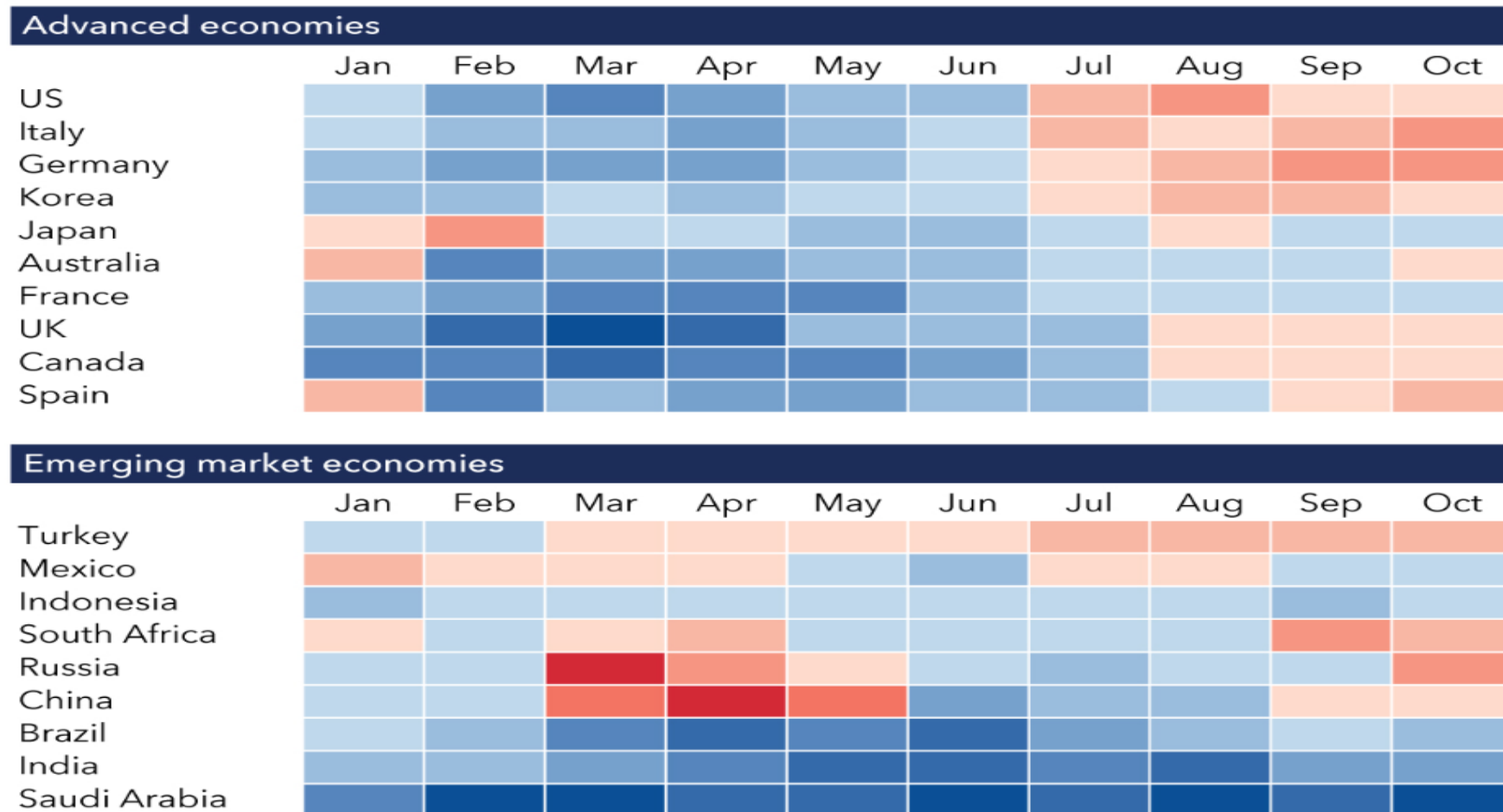


Source: International Monetary Fund (IMF); World Bank (WB); S&P Global; OECD; Semiconductor Industry Association (SIA)

The global economic trend growth rate is weakening

Indicators of economic activity confirm the gloomy outlook.

(purchasing manager indexes, 2022: blue signals expansion, red signals contraction)



Source: Caixin, CIPS, CommBank, HSBC, Jibun Bank, RBC, S&P Global, via Haver Analytics.

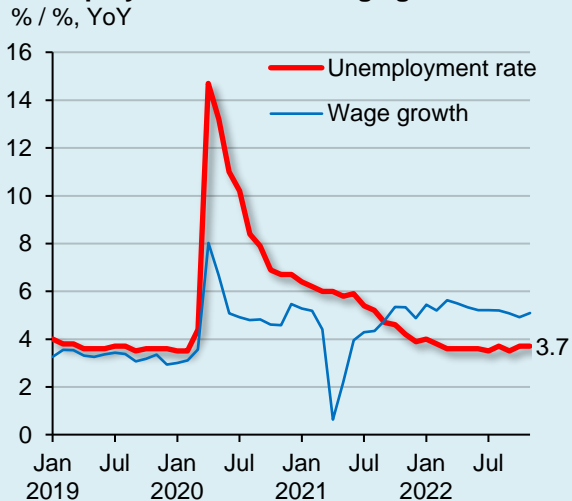
Note: Readings are composite except for Canada, Indonesia, Korea, Mexico and Turkey, which are manufacturing alone. Argentina is excluded due to data limitations.

IMF

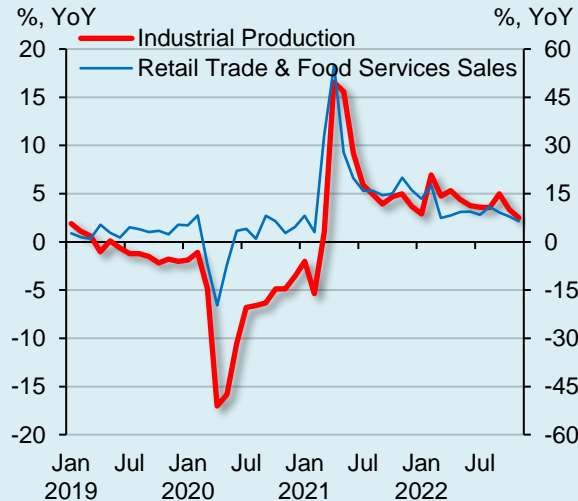
The US economy in a mild recession ...

The United States

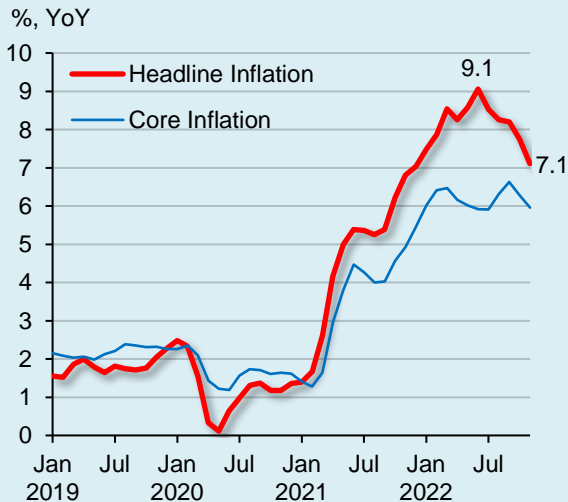
Unemployment rate and wage growth



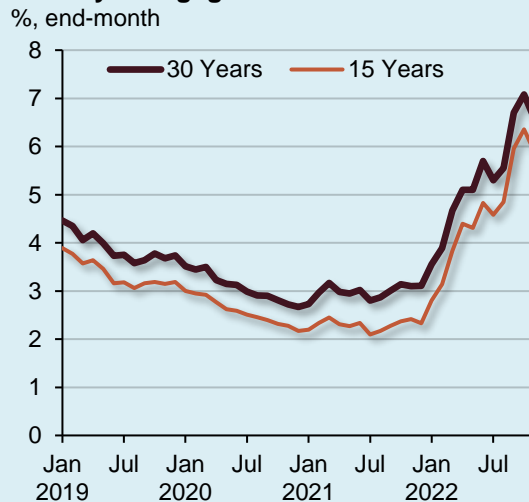
IPI Retail trade & food services



Headline & core inflation



Primary mortgage rate



A mild and shallow recession

- The time lag effects of higher interest rates on real activity
- Inflation will slow but price pressures continue to linger
- Higher mortgage rates have exerted some much-needed pressure on the housing market
- A robust job market and strong wage growth
- Estimated US GDP: 1.7% in 2022; -0.50% in 2023

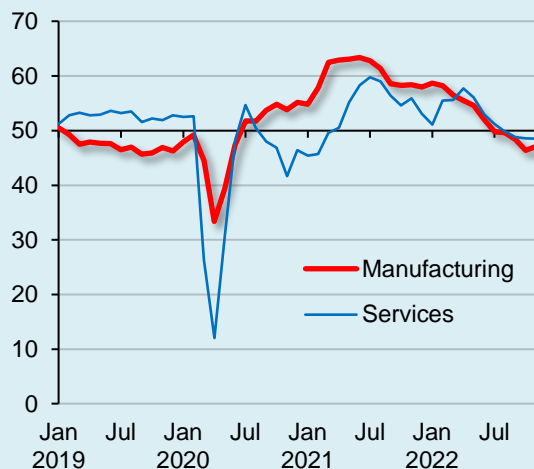
Source: US Bureau of Labour Statistics; Fed; Freddie Mac; US Census Bureau

Eurozone faces more pain; China's better growth comes spring

Euro area

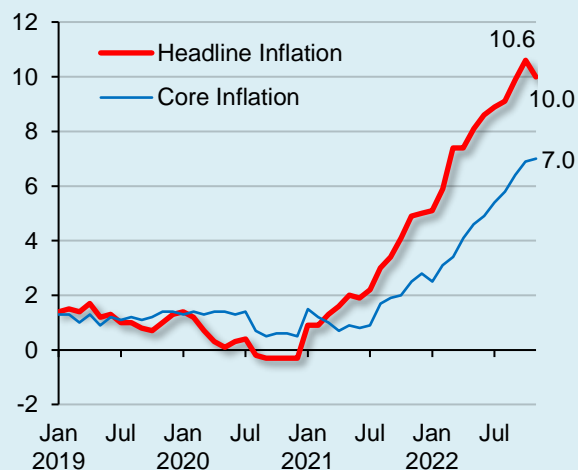
Manufacturing and services PMI

50=Threshold



Headline & core inflation

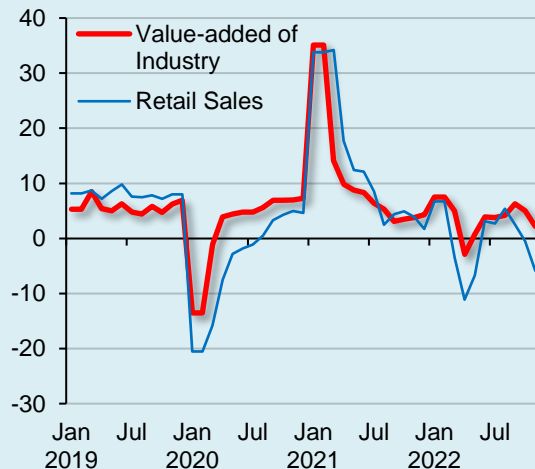
%, YoY



China

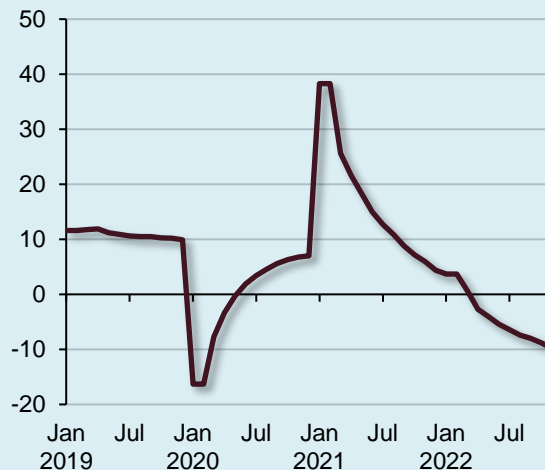
Economic activity

%, YoY



Investment in real estate development

%, YoY (Accumulated)



Eurozone – Still yet out of the woods

- Inflation and energy shocks erode real income and dampen production
- Inflation to ease but remains high in 2023

China - Better growth in 2H 2023

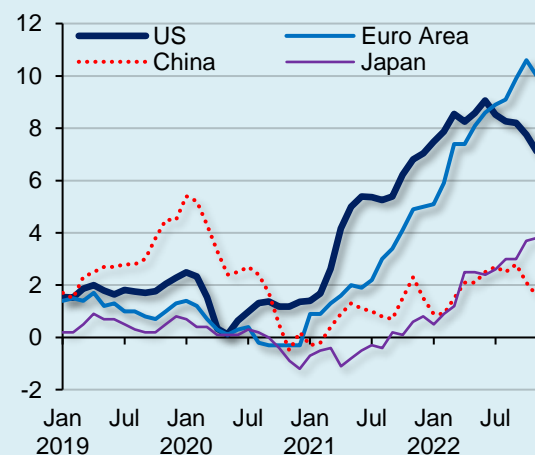
- Ending of zero COVID-19 strategy
- Cautious start in 1Q 2023 as infection cases surge exponentially
- Supportive monetary and fiscal policies

Source: S&P Global; Eurostat; National Bureau of Statistics of China

Inflation pressures stay longer, albeit lower

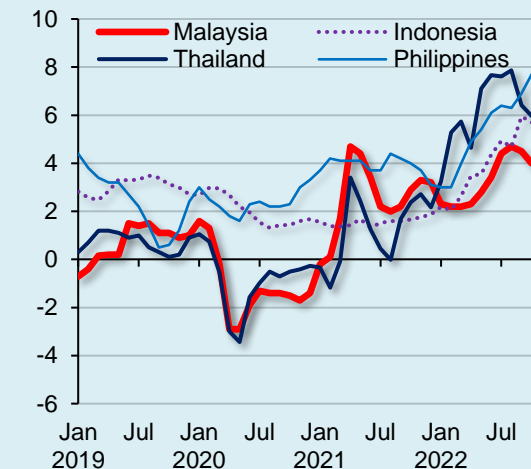
Inflation – Advanced economies

%, YoY



Inflation – Selected ASEAN economies

%, YoY

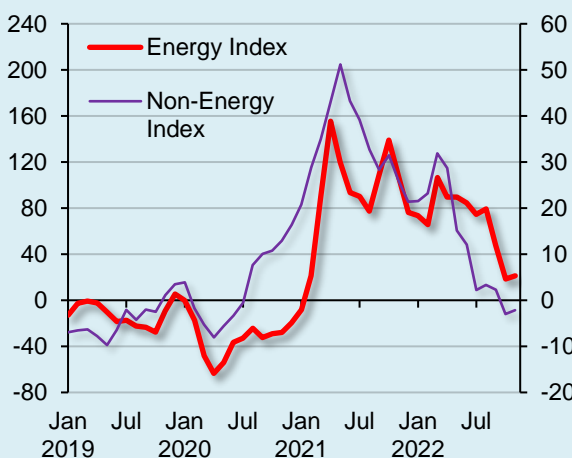


Energy index

%, YoY

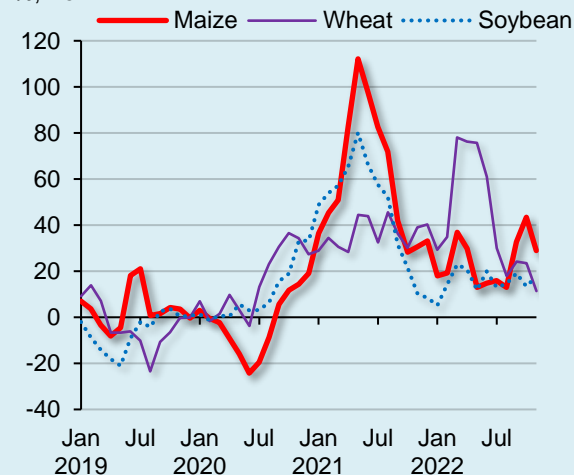
Non-energy index

%, YoY



Selected global food prices

%, YoY



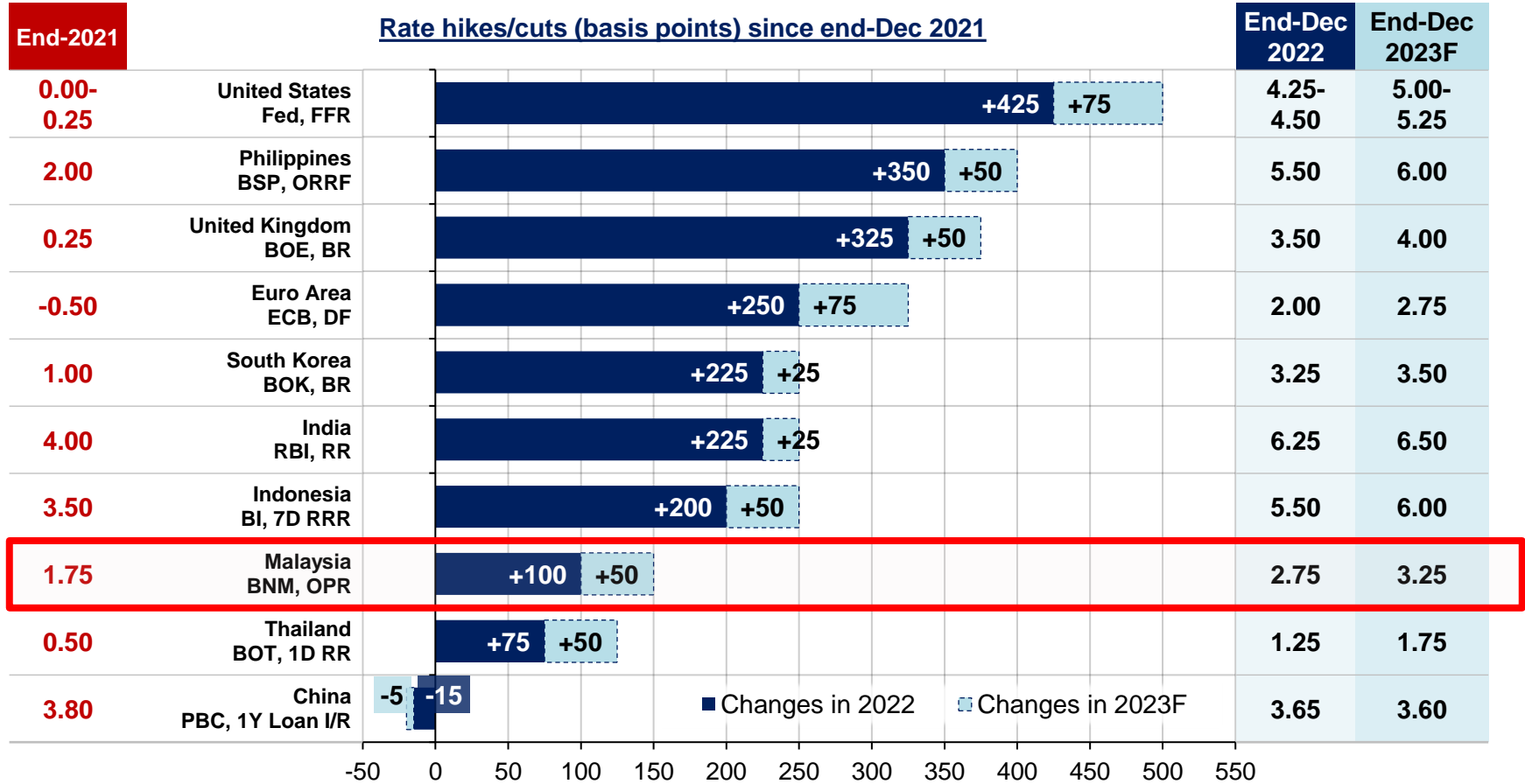
Global inflation rates likely will cool throughout the year 2023, but the cool-down period will be long and slow.

- Commodity and energy prices cooling off from their peak;
- The supply disruptions and labour-market pressures subsiding; and
- The effects of global central banks' interest rates hikes to cool off demand.
- Will China's reopening raise the spectra of global inflation?

Source: World Bank; Various officials for inflation data

Global interest rates unlikely pivoting back towards cut in 2023

Policy rate (%)



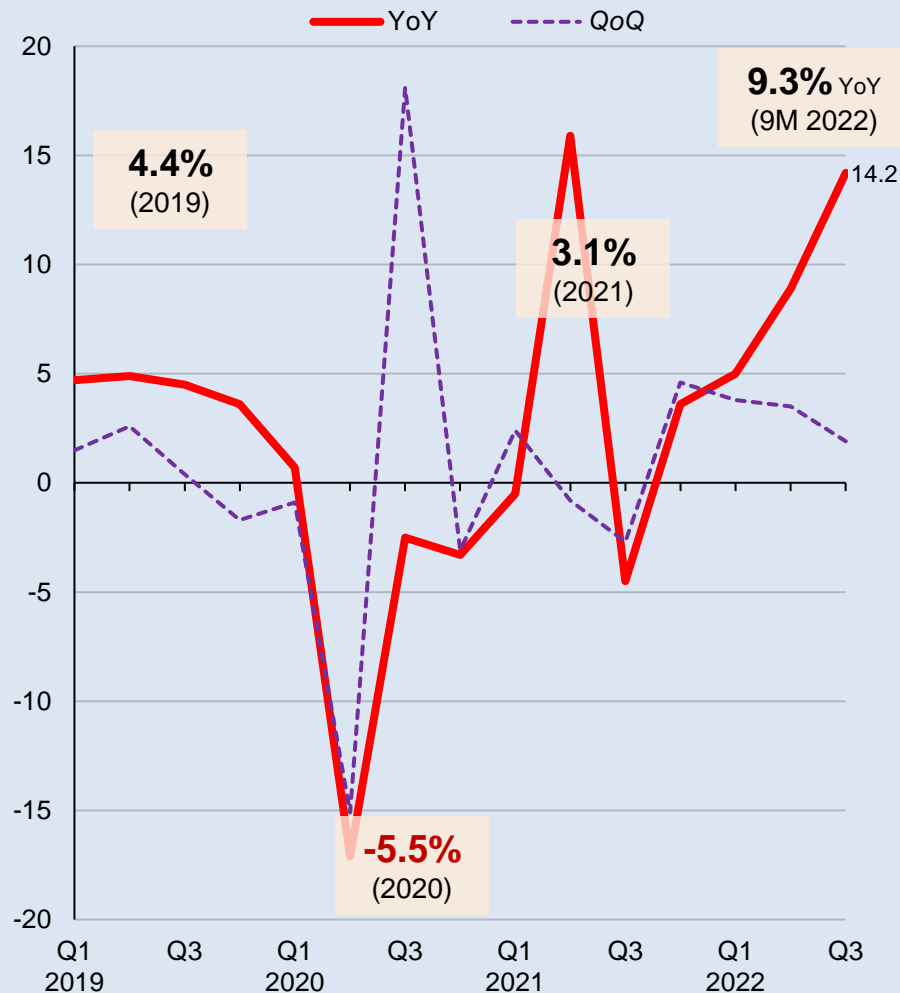
Source: Various officials and market consensus

Navigating the Malaysian economy in 2023

- *The interplay of weakening external environment, new government's narratives, domestic inflation, and interest rate will ultimately shape Malaysia's economic growth outlook for 2023*
- *Weaker economic growth estimated 4.1% in 2023 vs. estimated 8.5% in 2022*
- *Moderating exports, the normalization of domestic demand and high base affect*
- *Inflation and cost of living pressures as well as the lagged effects of higher interest rate will weigh on domestic demand*

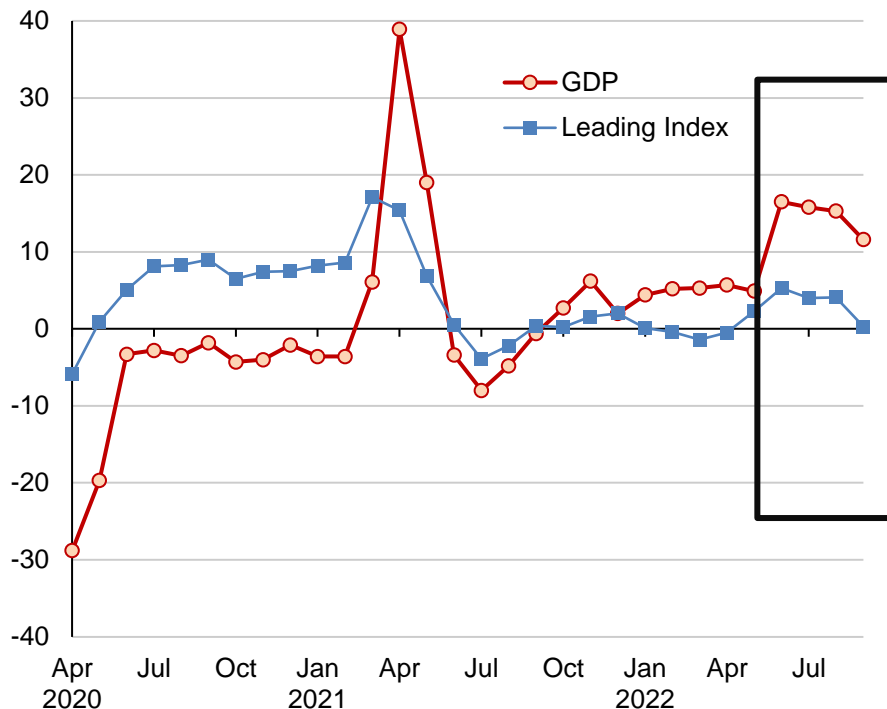
“Slow and Normalising” growth in 2023

Malaysia's real GDP growth
%



- Real GDP grew by 9.3% in Jan-Sep 2022. Estimated 8.5% in 2022 (+3.1% in 2021)
- Economic growth estimated 4.1% in 2023 – “Slow and normalisation”
- Moderating exports; post pent-demand normalisation

Monthly GDP and leading index growth
%, YoY

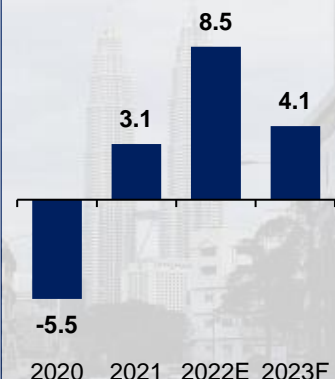


Source: Department of Statistics, Malaysia (DOSM)

2023 GDP growth pinning on domestic demand

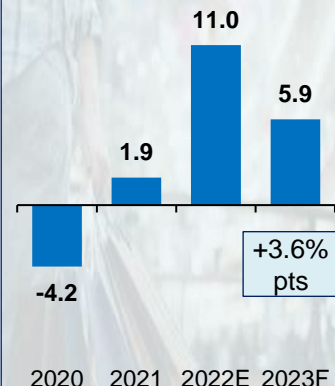
Overall

Overall GDP

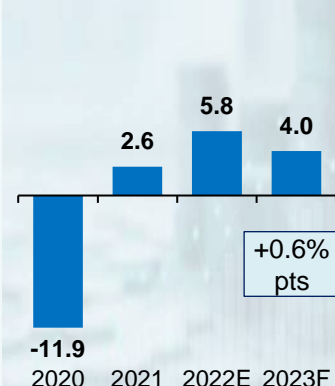


By type of expenditure

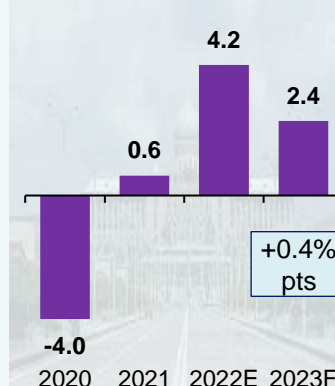
Private consumption



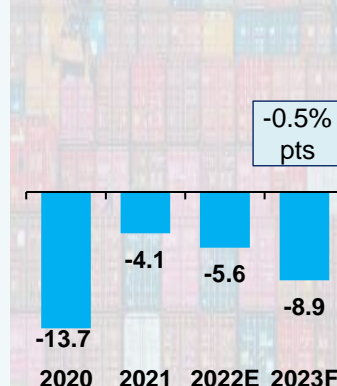
Private investment



Public sector

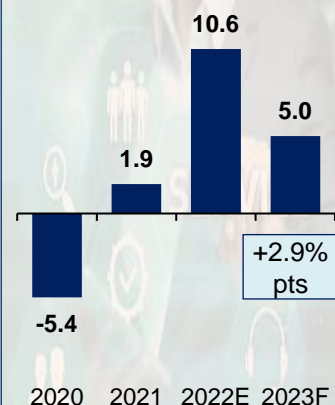


Net exports

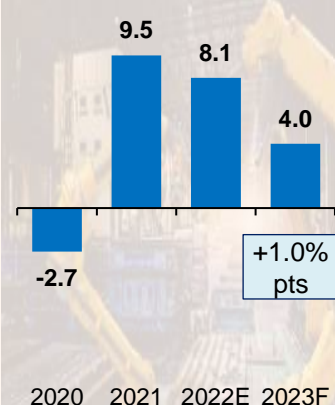


By kind of economic activity

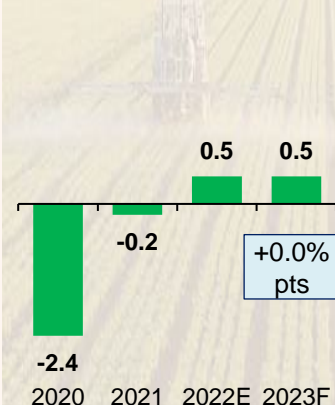
Services



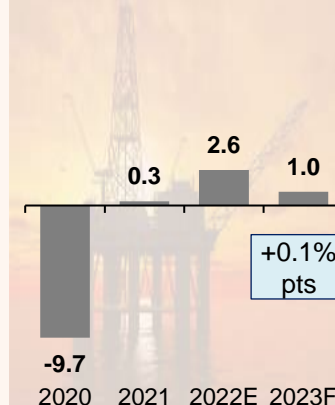
Manufacturing



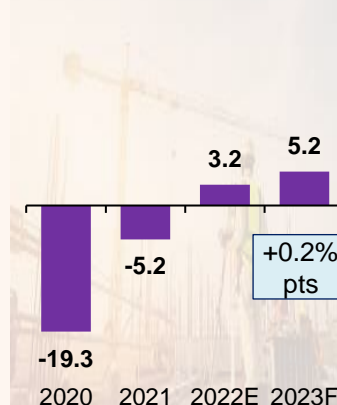
Agriculture



Mining and quarrying



Construction

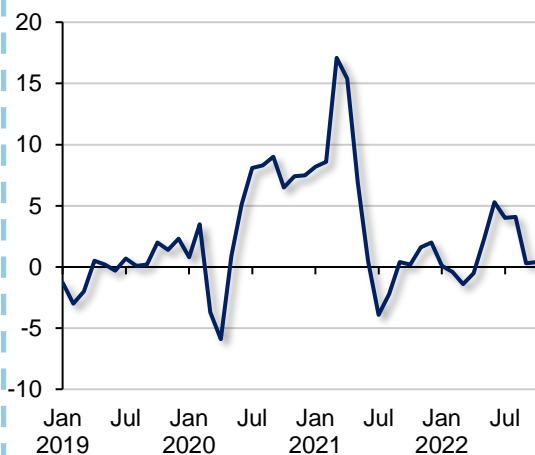


Source: Department of Statistics, Malaysia (DOSM); SERC's estimates and forecast

Tracking Malaysia's economic indicators

Leading indicators

%, YoY



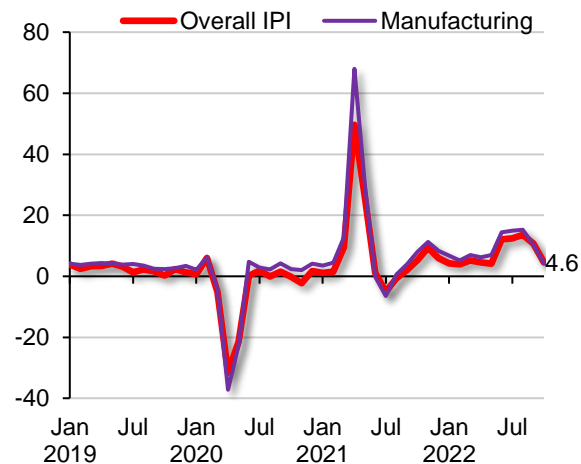
Purchasing Managers' Index (PMI)

50=Threshold



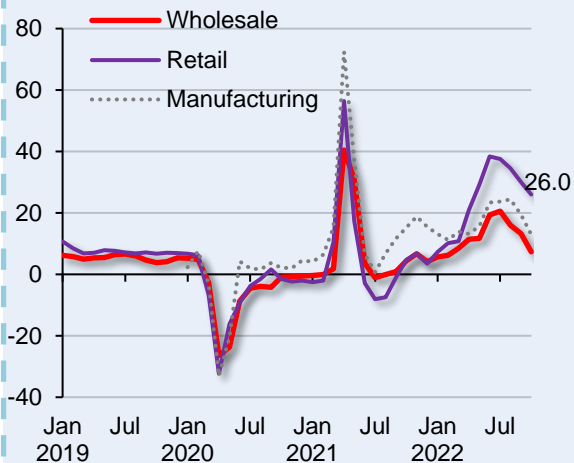
Industrial production index (IPI)

%, YoY



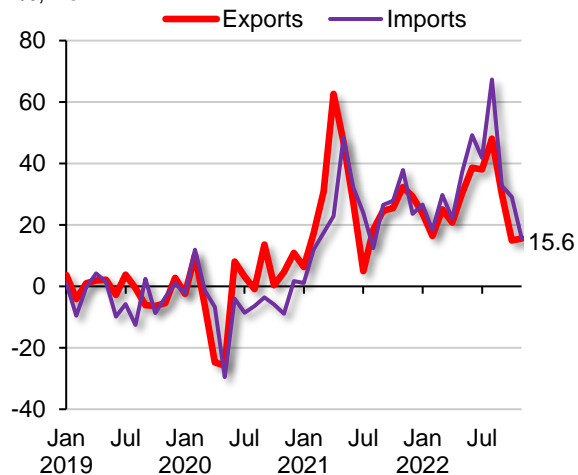
Wholesale, retail & manufacturing sales

%, YoY



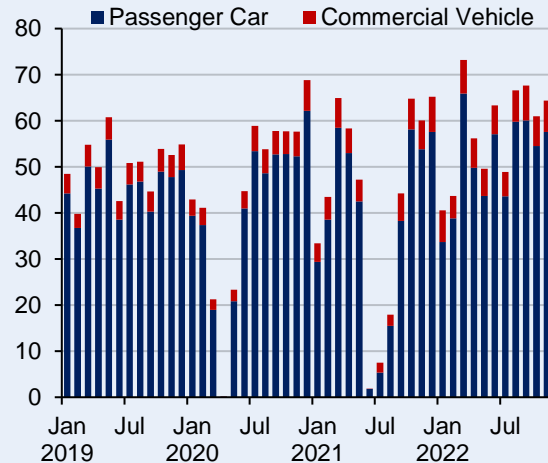
External trade

%, YoY



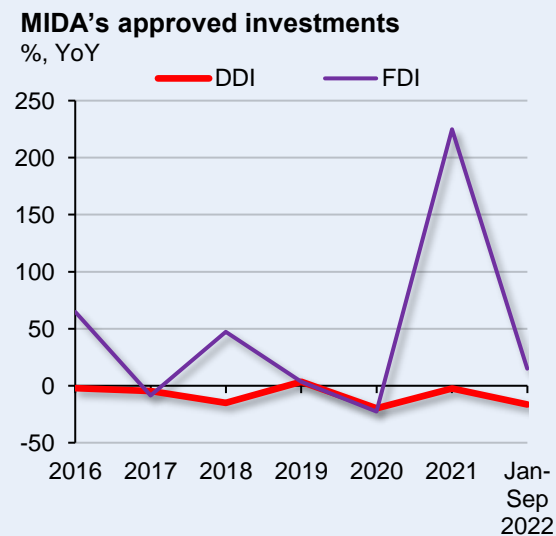
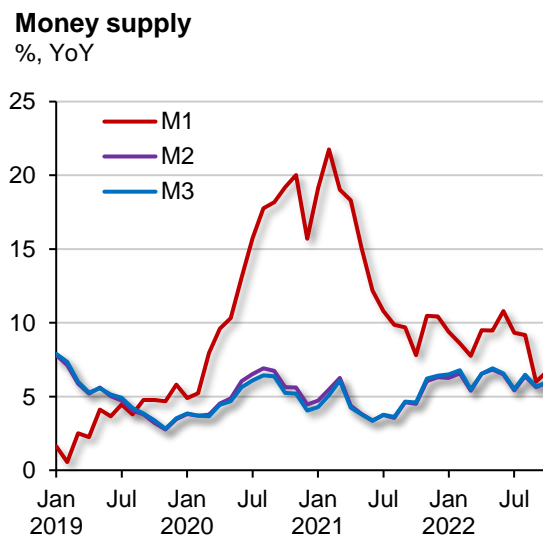
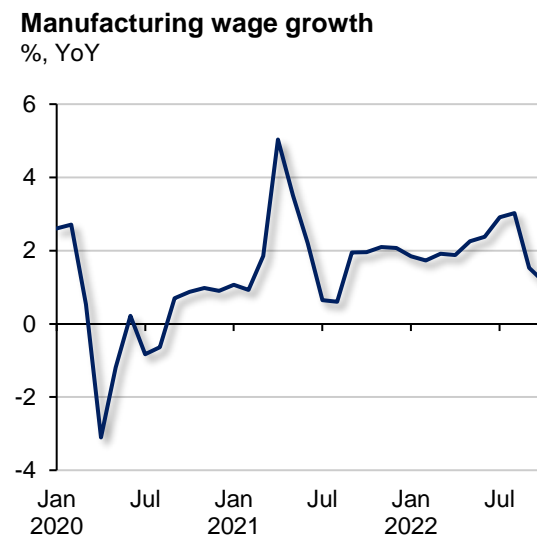
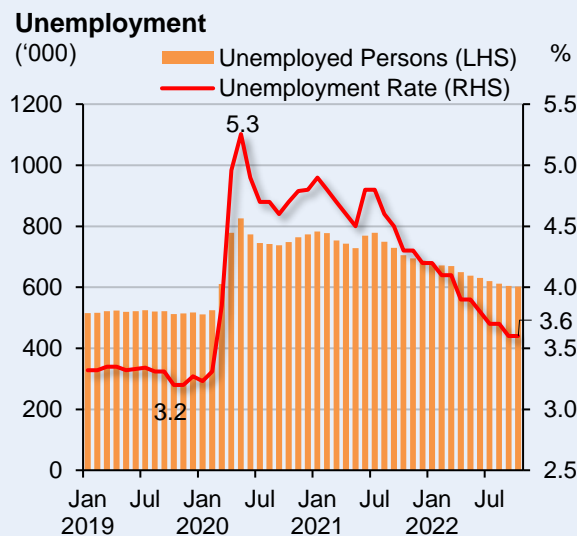
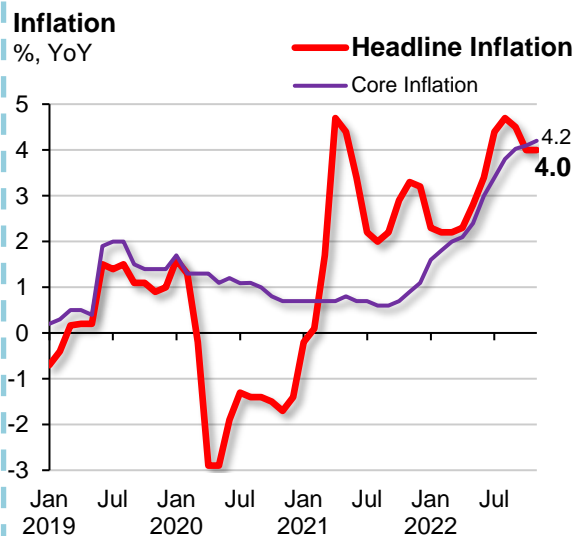
Sale of passenger & commercial vehicles

Thousand units



Source: Bank Negara Malaysia (BNM); Markit; DOSM; Malaysian Automotive Association (MAA)

Tracking Malaysia's economic indicators (cont.)

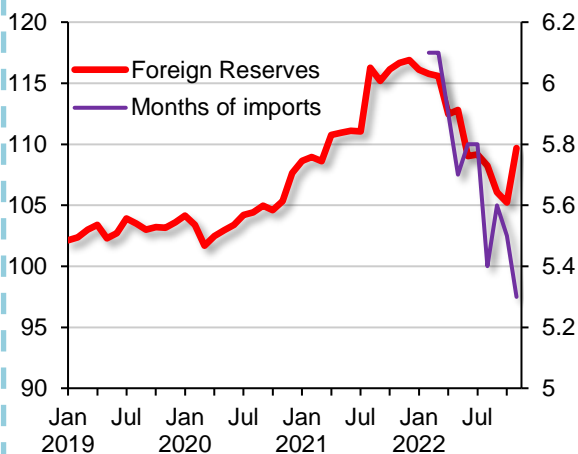


Source: DOSM; BNM; MIDA

Tracking Malaysia's financial indicators

Foreign reserves
US\$ billion

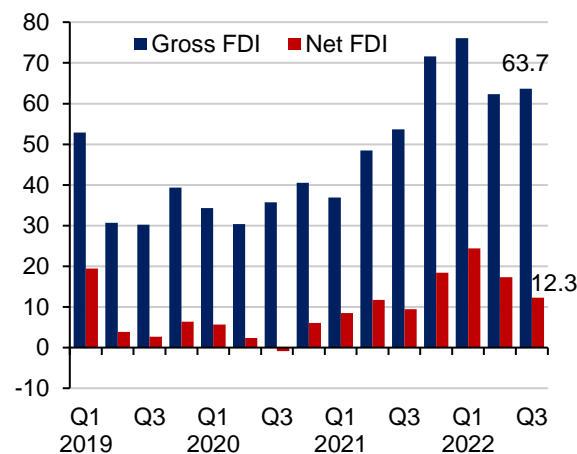
Months of imports of goods and services



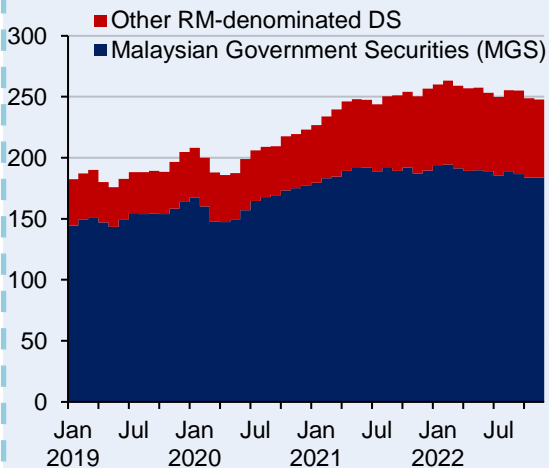
Net portfolio investment
RM billion



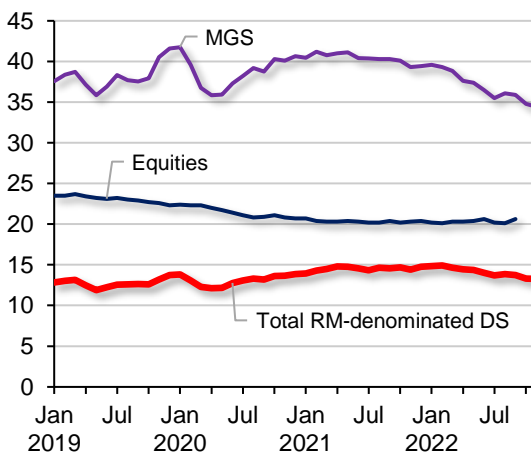
Foreign direct investment (FDI)
RM billion



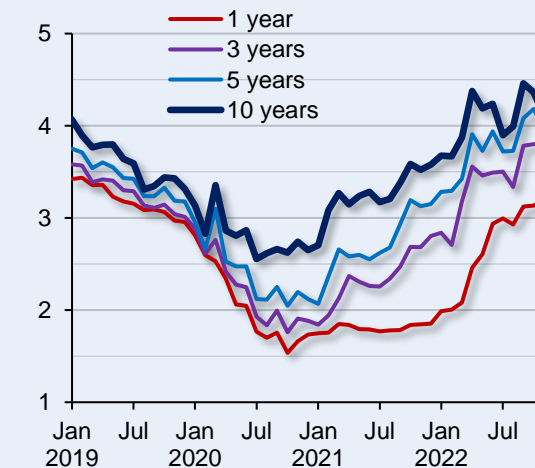
Foreign-owned debt securities (DS)
RM billion



Foreign-owned debts and equities
% share



MGS yield
%



Source: DOSM; BNM; MIDA

Preliminary results of ACCCIM M-BECS

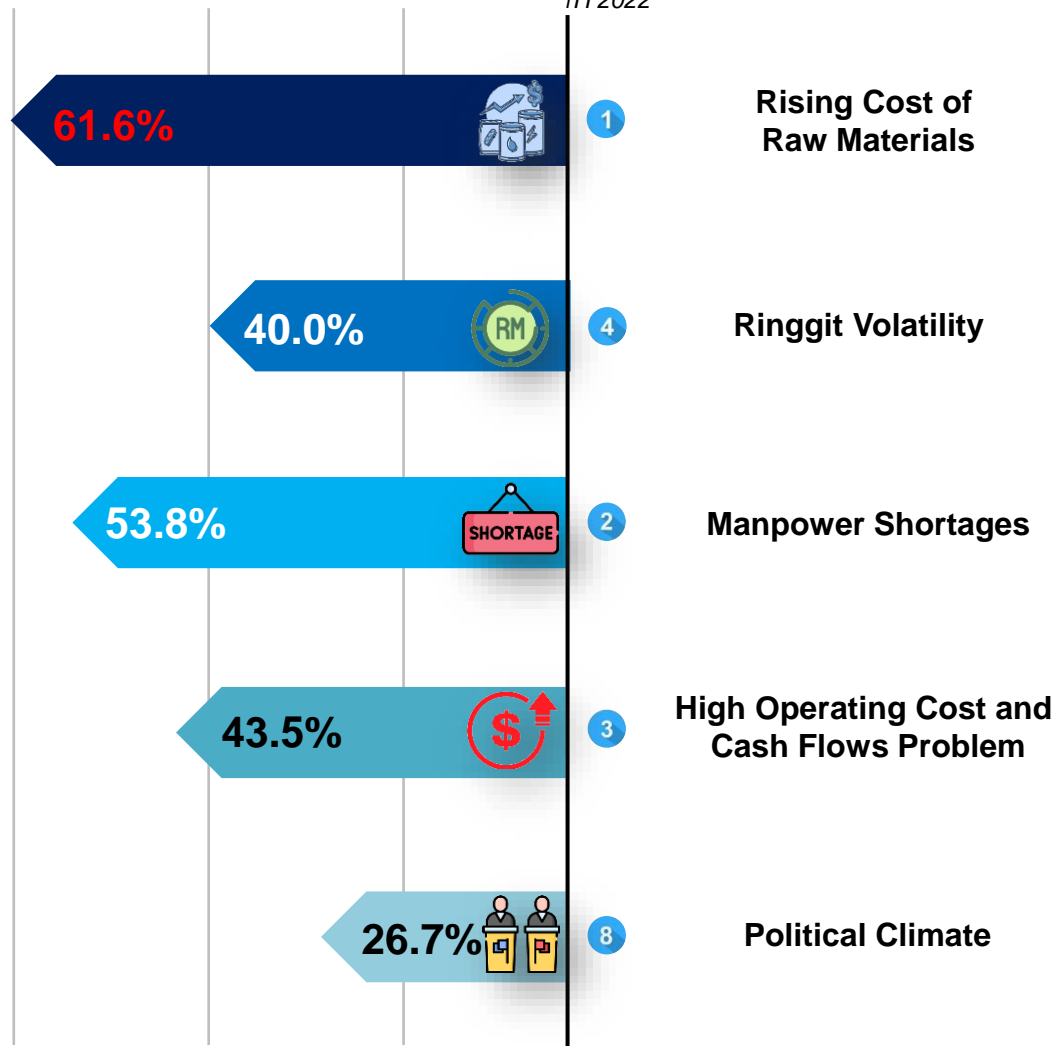
(n=501)

- *Businesses neutral about economic and business conditions in 2H 2022 and 2023*
- *Cost pressures continue to linger*
- *Input prices rise; an increase in output price pass-through*

ACCCIM M-BECS: Factors influencing business performance

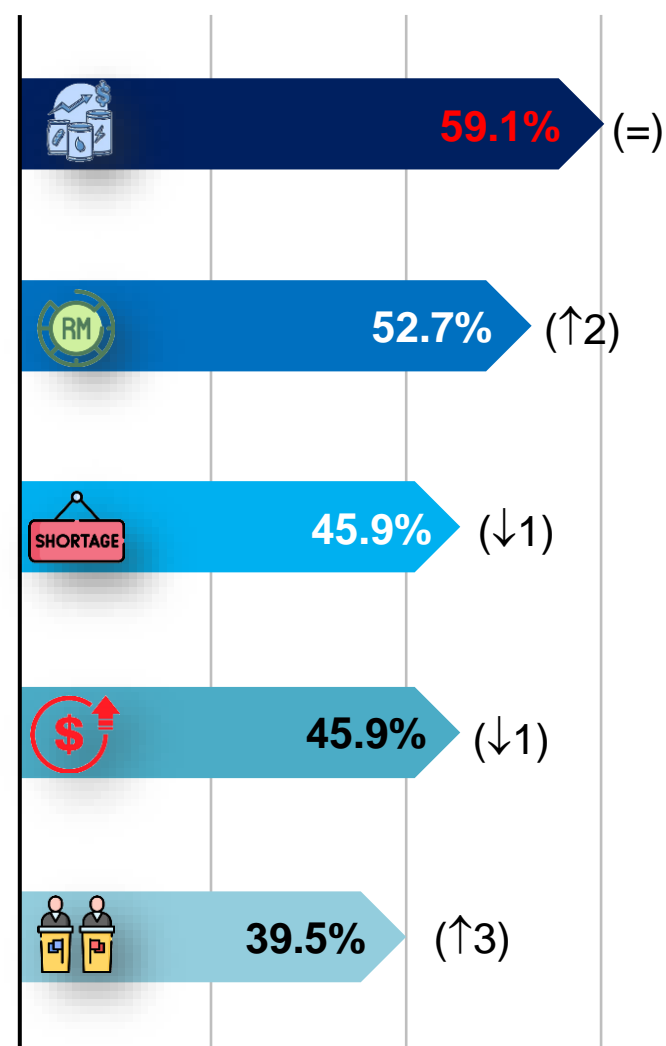
1H 2022

Ranking in
1H 2022



2H 2022

% respondents



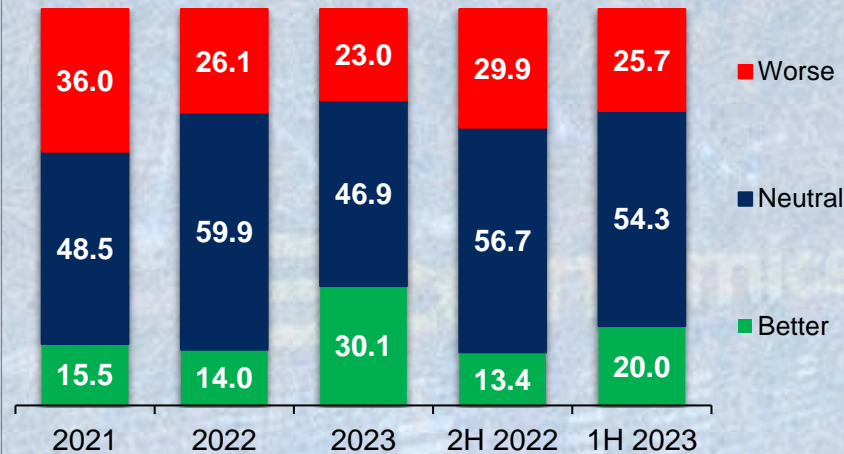
Notes: Figure in parenthesis indicates changes in ranking compared to 1H 2022

Businesses expect still challenging economic recovery

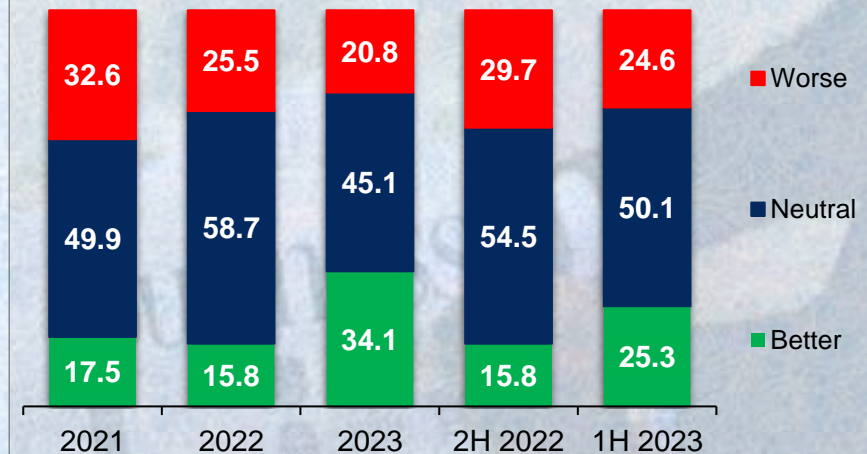
Preliminary results of ACCCIM M-BECS (2H 2022 and 1H 2023F)

% respondents

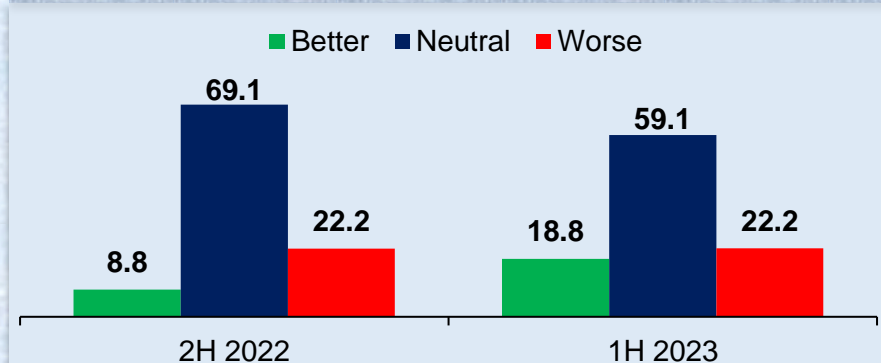
Current Economic Conditions and Prospects



Current Business Conditions and Prospects



Cash Flow Conditions

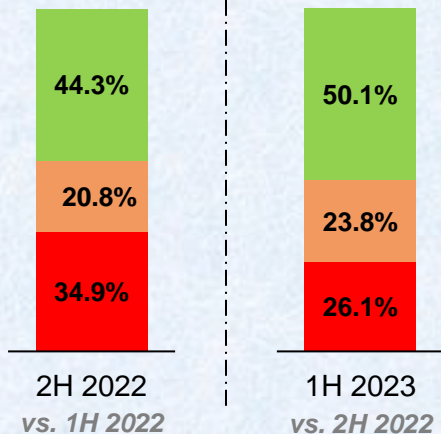
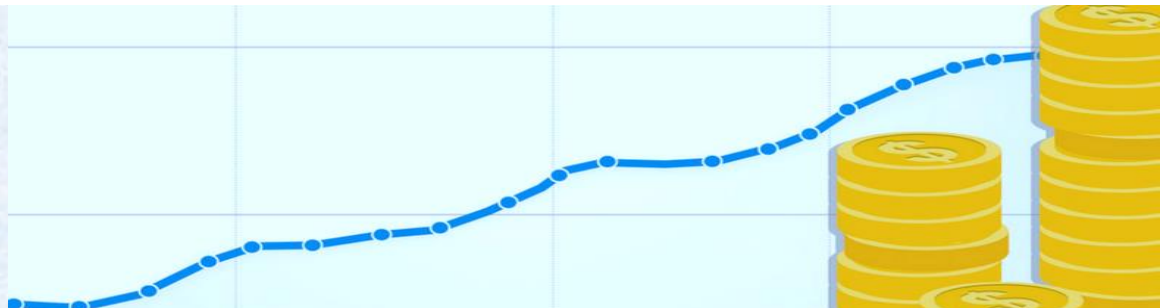


Overall sales performance will improve in 1H 2023

Overall Sales

% respondents

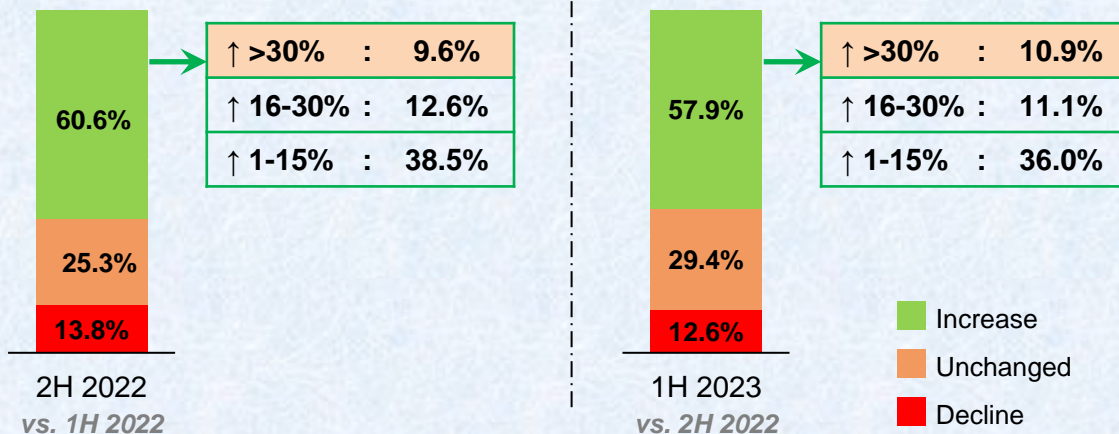
■ Increase
■ Unchanged
■ Decline



- ❖ Firm domestic demand
- ❖ Both volume and price effects
- ❖ Increased costs have squeezed profit margin amid partial cost pass-through

Domestic Sales Price

% respondents

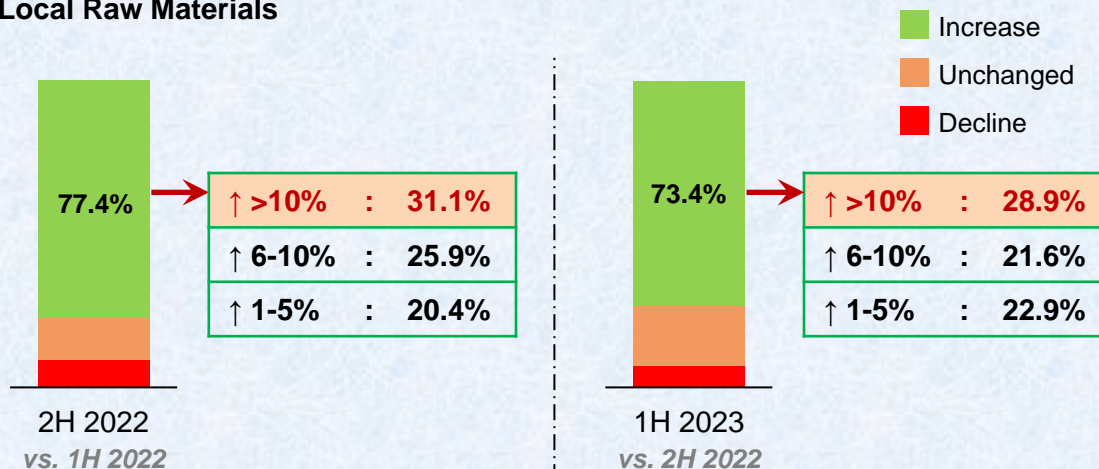


Rising raw material costs remain prevalent

Raw material costs to increase further in 1H 2023, albeit at slower rate

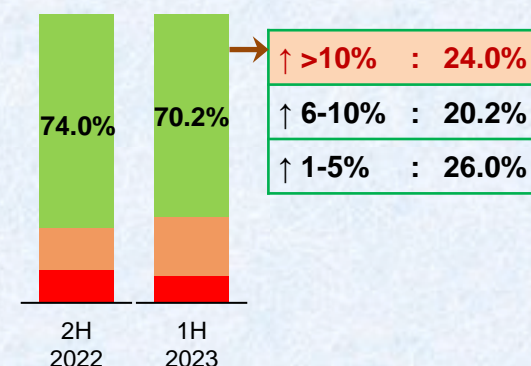
% respondents

Local Raw Materials



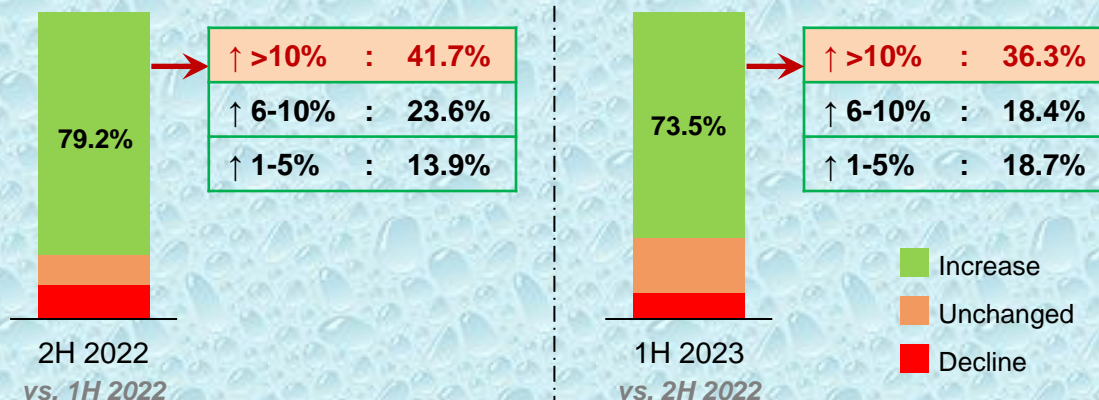
By two major sectors ...

Manufacturing Sector

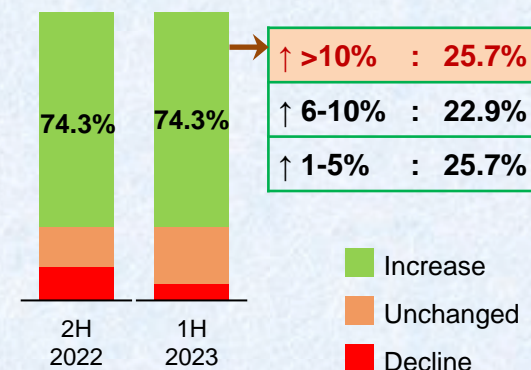


Imported Raw Materials

% respondents

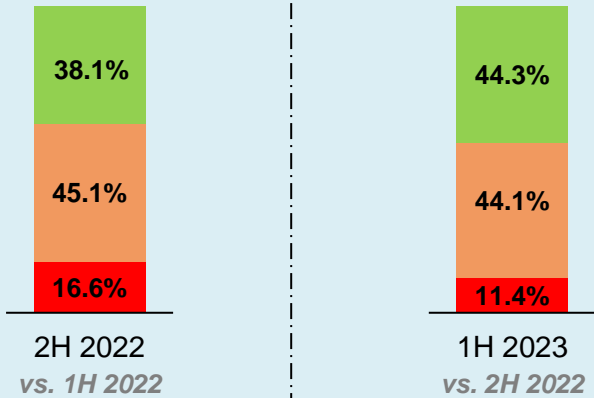


Construction Sector

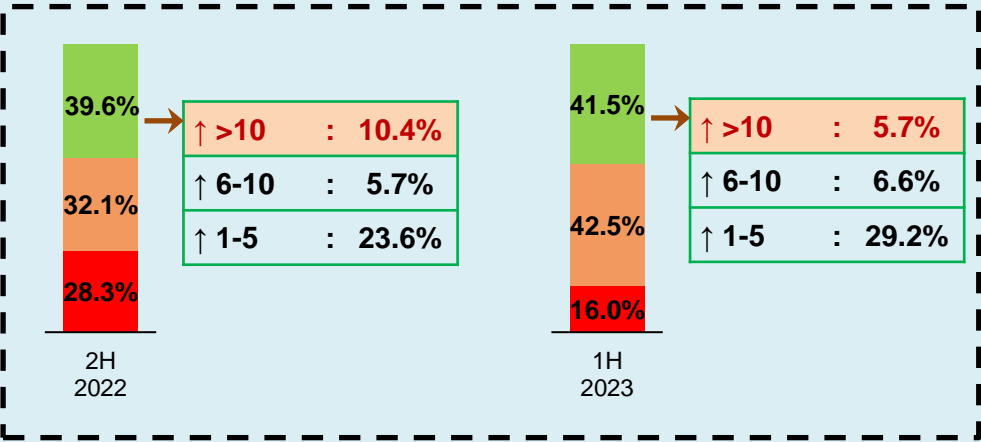


Prospects of hiring amid rising wage rate

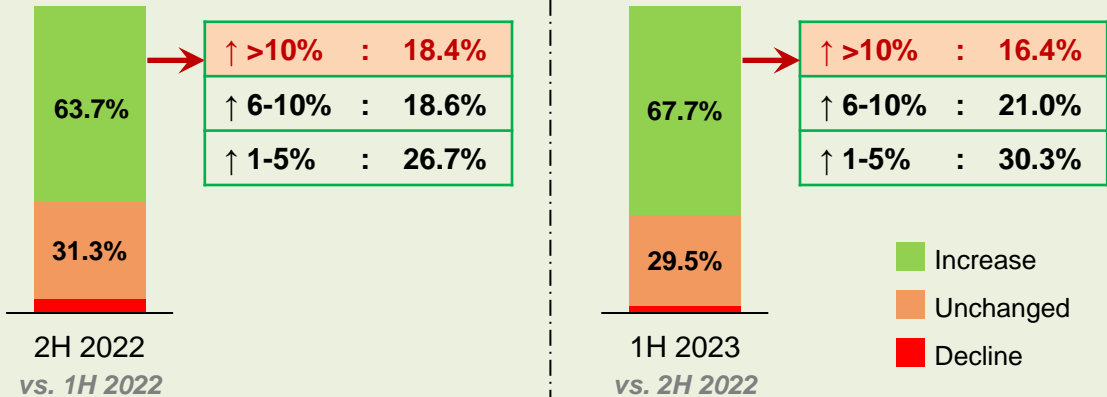
Number of employees



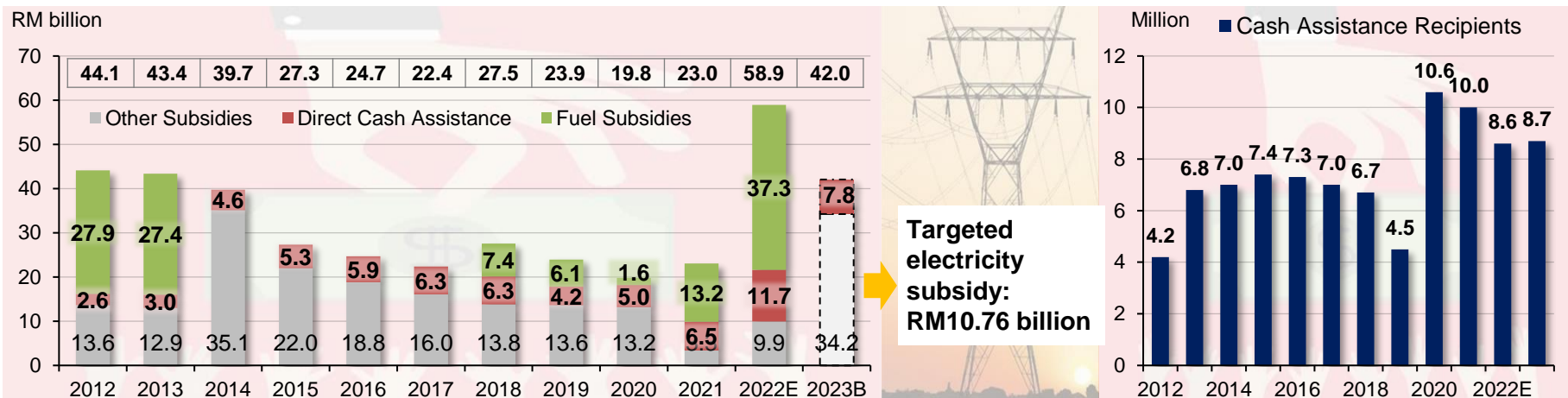
Manufacturing Sector



Salary increment



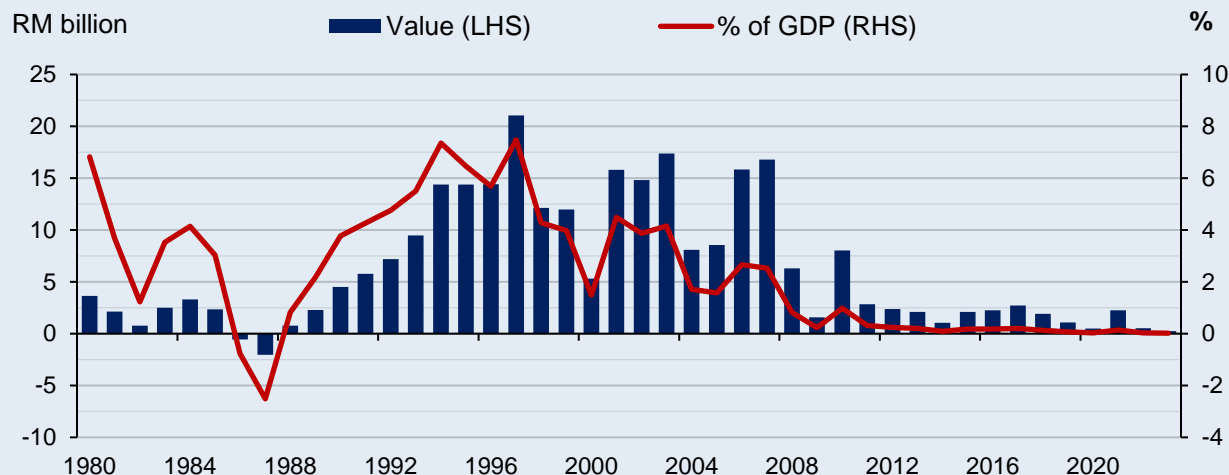
Bloated subsidies raise concern about fiscal sustainability



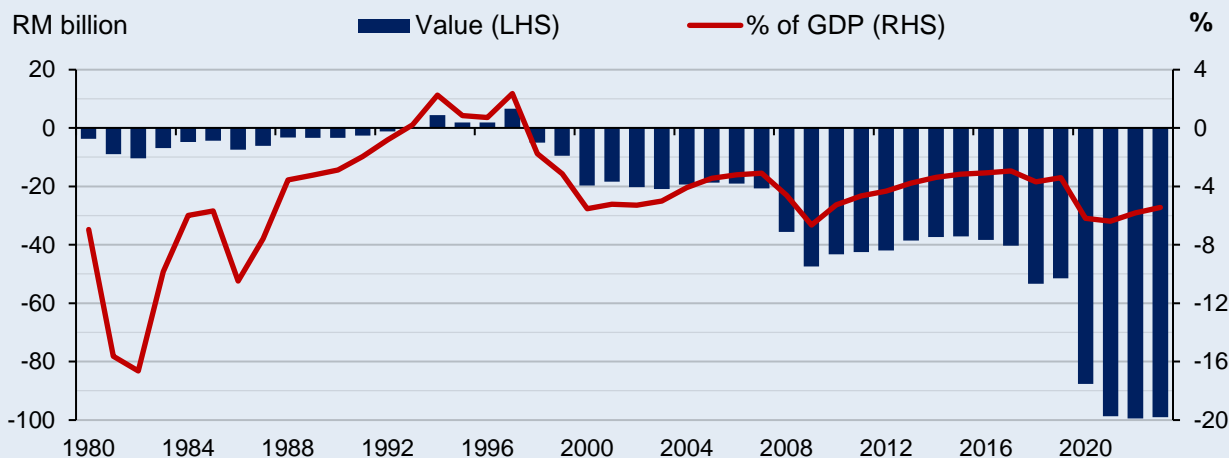
Year	% of Operating Expenditure (OE)	% of Total Revenue	% of GDP	Year	% of Operating Expenditure (OE)	% of Total Revenue	% of GDP
2012	21.4 (1.3)	21.2 (1.3)	4.5 (0.3)	2020	8.8 (2.2)	8.8 (2.2)	1.4 (0.4)
2013	20.5 (1.4)	20.3 (1.4)	4.3 (0.3)	2021	10.0 (2.8)	9.9 (2.8)	1.5 (0.4)
2014	18.1 (2.1)	18.0 (2.1)	3.6 (0.4)	2022E	20.7 (2.8)	20.7 (2.8)	3.4 (0.5)
2015	12.6 (2.4)	12.4 (2.4)	2.3 (0.5)	2023B	15.4 (2.9)	15.4 (2.9)	2.3 (0.4)
2016	11.7 (2.8)	11.6 (2.8)	2.0 (0.5)	<p>Note: Direct cash assistance schemes in 2020-2023 are as per announcement made in the Budget, excluding other cash assistance schemes. Figure in parenthesis refer to % share of direct cash assistance over total operating expenditure (OE), total revenue and GDP. Total subsidies in 2022E and 2023B are based on Fiscal Outlook 2023.</p>			
2017	10.3 (2.9)	10.1 (2.9)	1.6 (0.5)				
2018	11.9 (2.7)	11.8 (2.7)	1.9 (0.4)				
2019	9.1 (1.6)	9.0 (1.6)	1.6 (0.3)	Source: Ministry of Finance (MOF); Inland Revenue Board (IRB); BNM; Various news			

Avoid twin deficits (operating and overall) of Federal Government

Shrinking Federal Government's operating surplus



Reducing Budget's overall deficit needs bold reforms

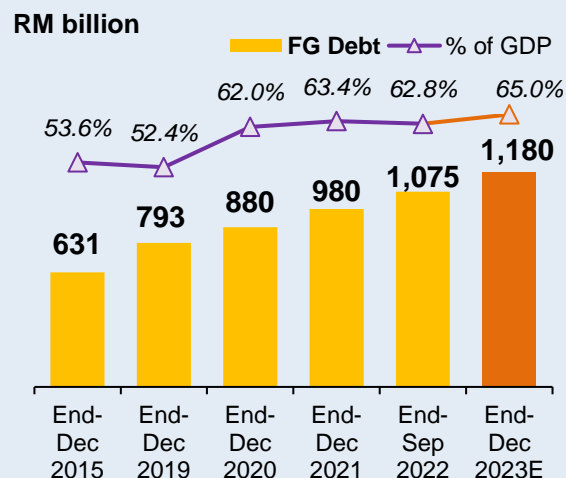


Source: BNM; MOF

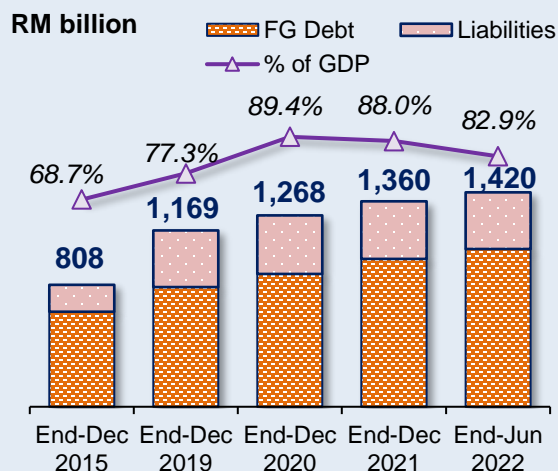
- It is equally worrisome that Federal Government's **operating account surplus** has been shrinking.
- **Persistent high deficits and growing debt** can trigger investors' concern towards fiscal solvency.
- **High debt burdens** can impede sustainable growth and crowding out private sector.
- If there are twin deficits in both operating and overall accounts could **undermine investors' confidence** on the Government's financial discipline management.
- **Implement a credible fiscal reduction plan** to transit gradually from fiscal imbalances to more sustainable levels are clearly needed.
- **Rebuild fiscal space** to deal with future economic and financial shocks and to fund new priorities

Anchor expectations of sustainable fiscal and debt levels

Federal Government (FG)'s debt



Debt and liabilities



Note: Liabilities in 2015 cover government guarantee only.

Debt legislative guidelines

Act	Statutory Limit	End-Sep 2022
<ul style="list-style-type: none"> Loan (Local) Act 1959 [Act 637] Government Funding Act 1983 [Act 275] Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) (Amendment) Act 2021 [Act A1635] 	Outstanding MGS, MGII and MTIB not exceeding 65% of GDP	60% of GDP (RM1,027 million)
External Loans Act 1963 [Act 403]	Offshore borrowings not exceeding RM35 billion	RM30.2 billion
Treasury Bills (Local) Act 1946 [Act 188]	MTB not exceeding RM10 billion	RM8.5 billion

Source: BNM; MOF

- Federal Government's direct debt stood at **RM1.07 trillion (62.8% of GDP) at end-Sep 2022** – a record high level.
- By end-2023, it is projected to be around 65% of GDP while statutory debt at 63% by end-2023.
- To ensure a smooth implementation of 12MP, the Government **may extend the statutory debt limit of GDP in the medium-term**.
- Compared to selected A-rated peers and regional economies, Malaysia ranked the sixth highest (worst) in 2021.
- In terms of debt service charges (DSC) to revenue ratio, Malaysia ranked the second highest at 16.3% in 2021. The DSC is expected to rise higher to 16.9% of revenue in 2023 from 15.1% in 2022, which exceeds the threshold 15% in accordance to international best practices.



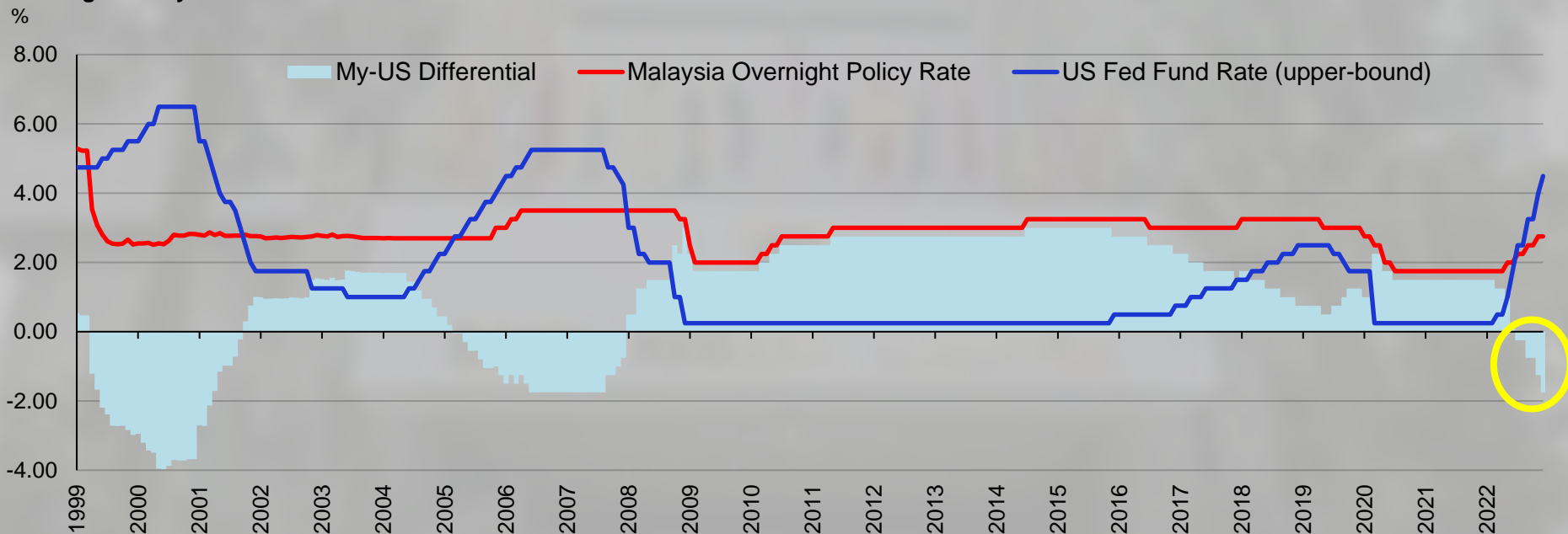
Bank Negara Malaysia: To pivot or not to pivot

- ✓ BNM dismisses recession risk in 2023
- ✓ “Accommodative and supportive of economic growth”
- ✓ Measured and gradual manner

- ✓ Inflation has peaked, but changes in domestic policy creates inflation risk
- ✓ No pre-set course
- ✓ Rebuild monetary buffer

Overnight policy rate (OPR) is estimated to reach 3.25% in 2023

Overnight Policy Rate vs. Fed Fund Rate



Source: BNM; Federal Reserve

Note: BNM adopted Overnight Policy Rate (OPR) as policy rate since 2004.

Post GE15 Policy Landscape

- *Stability of the Unity Government -- pre-condition for institutional and economic reforms*
- *Retabling of the 2023 Budget – How much to change?*
- *Immediate priorities and low hanging swift reforms:*
 - ✓ *Inflation and high cost of living*
 - ✓ *Subsidies rationalisation*
 - ✓ *Shortage of workers; jobs and skills training*
 - ✓ *More domestic and foreign investments*
 - ✓ *Institutional reforms (MA63, separation of power, bipartisan appointment of commissioners to integrity institutions)*

What has the Unity Government done so far?



Events to watch

19 Dec 2022

- ✓ Appointment of Dewan Rakyat speaker
- ✓ Interim mini Budget (RM56.bn for DE; RM107.7bn for OE)

24 Feb 2023 (18 days debate)

- Re-tabling of 2023 Budget

1Q 2023

- UMNO elections

1H 2023

- Six states' elections (Selangor, Pulau Pinang, Negeri Sembilan, Kedah, Kelantan and Terengganu)

- ✓ **A lean Government** (55 cabinet ministers: 28 Minister and 27 Deputies).
- ✓ **PM not drawing salary and 20% pay cut for Ministers** until the economy fully recovered.
- ✓ One month for DPM to **settle unresolved demands related to the Malaysia Agreement 1963 (MA63)**.
- ✓ **No electricity hike for households, SMEs as well as agriculture industries.** MNCs and large industries will not enjoy subsidized electricity tariff.
- ✓ **Termination of the contracts of all political appointees** in government-linked companies (GLC), government-linked investment companies (GLIC), statutory bodies and Ministry of Finance Inc companies (*Pending for final announcement*)
- ✓ **Five political coalitions and parties signed a MoU** stating their support for the Unity Government to complete a five years term.

The Consolidated Fund Act 2022 – Mini Budget for 2023

RM107.7 billion temporary operating budget, mainly for civil servants' salaries and other related operational expenditures



RM56.0 billion from Development Fund to meet urgent development expenditure

Highlights of measures:

Education and job-related assistance and building

- **Early School Assistance – RM150 for all students** in Jan 2023, regardless of parent's income.
- **Supplementary Food Plan (RMT)** and the purchase of textbooks.
- **MySTEP program – provide 50,000 contractual career opportunities** with salaries between RM1,500 to RM2,100, including 35,000 in government-linked companies (GLCs).

Cost of Living

- **Bantuan Tunai Rakyat (Phase I, to be disbursed in Jan 2023)** – RM2 billion allocated to 9 million recipients, involving RM300 for each household and RM100 for each single.
- **An additional increase of RM100 per year for civil servants** with grades 11-56.
- **Special Financial Assistance – RM700 for 1.3 million civil servants** with grades 56 and below, and **RM350 for 1 million government pensioners**.

Natural Disaster

- **Monsoon Assistance (BMT) – additional assistance of RM200 to small rubber farmers** in Jan 2023.
- Allocation of RM400 million to **the National Disaster Management Agency (NADMA)**.

Policy implementation impacting consumers, employees and employers



The imposition of 10% sales tax on low value imported goods, regardless of value via courier services (air) through designated international airports in Malaysia on 1 January 2023

Implications

- Increase revenue
- Level the playing field



Implement the Employment (Amendments) Act 2022 on 1 January 2023 – Reduction in weekly working hours to 45 from 48; employees earning up to RM4,000/month will be entitled to overtime payments; maternity benefits (98 days)

- Incur additional wage costs estimated between 37.6% and 97.0% for different job grades
- Co-share maternity benefits (98 days)



Postpone the RM1,500 minimum wage implementation for companies employing workers of below 5 workers to 1 July 2023

- Ease cost burden on micro businesses



Defer the 6% service tax on goods delivery services, which is slated on 1 January 2023

- Tax revenue forgone
- Ease inflation and business costs pressure

Retable 2023 Budget: How much to change?

**Original 2023B: Total expenditure=RM372.3 billion; DE=RM95.0 billion; OE=272.3 billion.
Interim mini Budget=RM163.7 billion or 44.0% total original Budget**

- Reaffirm fiscal consolidation and fiscal reduction plan
- A balanced approach to reinforce the recovery through strengthening economic and financial resilience and radical structural reforms.



Smaller fiscal deficit at 4.5%-5.0% of GDP in 2023 vs. 5.8% of GDP in original Budget. Expect cut in Development Expenditure



Continued cash assistance; cut in personal income tax rate (RM50,000-RM100,000); 2% cut in SMEs preferential tax rate (to 15%) for higher threshold; special financial aid for civil servants



Financial grant and funds for SMEs, tourism sector, export sector, green initiatives, climate related programs, Industry 4.0



Public infrastructure projects, socio-economic and community based programs



- Civil servants from Grade 11 to Grade 56: RM100 Special Annual Salary Increase
- Special financial aid of RM700 to 1.3 million civil servants under Grade 56 and below
- One-time RM350 payment to one million government pensioners



List of major new projects under original Development Expenditure

Transport sector RM16.5bn

Upgrading, expansion and maintenance of infrastructure



Trans Borneo Highway



Sarawak Sabah Link Road Phase 2



Pengalat-Papar bypass road in Sabah



Upgrading of Pasir Gudang Highway

Energy and public utilities RM3.3bn

Construction of:

- *Water treatment plant in Landeh, Sarawak*
- *Solar hybrid system in Beluran, Sabah*
- *Upgrading of regional sewerage treatment plant in Pasir Gudang, Johor*



Health and Housing sector RM4.7bn and RM2.1bn

To build, upgrade and repair health facilities and affordable housing



Construction of:

- *Women and children's block in Melaka General Hospital*
- *People's Housing Project (PPR) in Arau, Perlis; Marang, Terengganu; and Machang, Kelantan*

Source: MOF

Subsidies rationalisation: Sustainability, Priority, Affordability

- **Bloated subsidies unsustainable** (RM58.9 billion in 2022; RM42.0 billion in 2023)
- **Restraining factors:** Current cost increases for businesses and high inflation pressure on consumers



Set priorities right – Blanket to targeted (coverage, criteria). Do not penalise the groups still dependent on subsidies on essential goods



Practical mechanism to streamline subsidies in stages



Coupon; two-tier pricing; cash handouts



Assertive Basic Income (topping up to RM2,208 per month per household) – Feasible? Fiscal cost?



Tax reforms: Income, Consumption, Capital tax, and Green

- Presently, Malaysia only imposes tax on income and consumption. No tax is imposed on wealth
- Both PH and BN manifestos do not commit sustainable tax reforms



Reintroduction of GST – May be in 2024



Wealth tax – A tax on an individual's stock of assets, and not on income, profits or transactions. Capital gain tax?



Tax Identification Number (TIN); E-Invoices; Global minimum tax rate



Carbon tax; higher sugar tax; digital tax



PH's and BN's Manifestos: Salient offerings, notable similarities and distinctive elements



PAKATAN HARAPAN (PH) GE15
ACTION PLAN



BARISAN NASIONAL (BN)
MANIFESTO

- In broad sense, both PH's and BN's manifestos address and provide structural solutions for the rakyat's immediate concerns about economic issues (cost of living, income, jobs), education, healthcare and climate change-related impact.
- **Governance and institutional reforms also featured prominently**, underscoring the importance of reforming political and public institutions to ensure effective governance, transparency and accountability of the Government administration.
- Both manifestos have some notable common offerings though **we believe that some initiatives can be implemented immediately, in particular concerning people-centric measures to ease the impact of inflation and higher cost of living on B40 households.**
- We view positively the laid-out pledges to ensure good governance practices and to undertake institutional reforms.
- With a convincing two-thirds majority, we hope that the Unity Government **can front-load as well as prioritize the implementation of governance and institutional reforms.** Political reforms do not incur any fiscal costs compared to economic and social reforms.

PH's and BN's Manifestos:

Governance and Institutional Reforms

Pakatan Harapan (PH)	Barisan Nasional (BN)
<ul style="list-style-type: none"> • Separation of attorney-general and public prosecutor • Political funding law • Combat corruption • Create ombudsman system • Term limits for Prime Minister, fixed parliament terms, repeal draconian laws, enact Freedom of Information • Government Procurement Act (GPA) • Establish a National Health Service Commission 	<ul style="list-style-type: none"> • Separation of attorney-general and public prosecutor • Parliamentary Special Select Committee to vet and recommend top public service appointments • Grant “full autonomy” to public universities and colleges • Youth Committee for Policy Review in Parliament • Upgrade Malaysian Institute of Integrity to Malaysian Commission of Integrity

- **Effective governance and credible institutional reforms** are deemed critical to improving state institutional capacity.
- The **effectiveness of political and economic institutional reforms** - positive impact on economic growth; increase the level of investment.
- **The enactment of the GPA for better accountability.**

PH's and BN's Manifestos:

Cash Transfers and Assistance Programmes

Pakatan Harapan (PH)	Barisan Nasional (BN)
<ul style="list-style-type: none"> Funding for the free breakfast programme Monthly universal child benefit for up to six years old Biasiswa B40 scholarship scheme for low-income families Childcare subsidies for working women in B40 and M40 groups Free sanitary pads and tampons at all primary and secondary schools and for women in the B40 group Expanding mySalam and PeKaB40 schemes to M40 group Targeted PTPTN loan forgiveness for B40 households 	<ul style="list-style-type: none"> New "Assistive Basic Income" scheme with a minimum household income of RM2,208 Free higher education for all B40 groups Free laptops for all B40 students

- Political feasibility and fiscal sustainability to implement Assistive Basic Income scheme (ABIS).
- Based on the Department of Statistics Malaysia, **there were 639,800 households (8.4% of total households)** below the poverty line income (PLI) of RM2,208 in 2020.
- Assuming a basic monthly income of RM2,208, **the estimated budget is about RM17.0 billion per year or 1.2% of GDP in 2020**. Even if we provide 50% of PLI (RM1,104), the estimated amount remains substantial at RM8.5 billion (0.6% of GDP).
- “Negative” distributional consequences of ABIS scheme** – breeding a culture of dependency, entitlement, and complacency as well as disincentive to look for employment and self-improvement.

PH's and BN's Manifestos:

Addressing Cost of Living Issues

Pakatan Harapan (PH)	Barisan Nasional (BN)
<ul style="list-style-type: none">• Eliminate cartels in the food and essential supplies sectors to encourage competition• Work closely with suppliers to ensure sufficient food supply• Incentives to increase the production of food and basic essentials• Reviewing highway concessions for the North-South Expressway (PLUS) with the ultimate goal of gradually eliminating tolls	<ul style="list-style-type: none">• Remove approved permits (AP) for agro-food imports

- About 60% of our food is imported.
- Identify all of the problems in the food and basic necessities sectors and formulate long-term solutions instead of addressing food security issues on a piecemeal basis.
- Claims that the existence of cartels and middlemen -- made more profit than the farmers or the retailers.
- Close monitoring of food supply, logistics and stockpile management, including supply disruptions and anti-competitive behaviour in the food sector.
- Stop market intervention.
- Shoring up all elements of the food supply chains.
- Provide real-time market information.

PH's and BN's Manifestos: Affordable Housing

Pakatan Harapan (PH)	Barisan Nasional (BN)
<ul style="list-style-type: none"> • Provide more rent-to-own housing schemes • Establishing an RM3 billion fund to guarantee to finance for first-time buyers of affordable housing • Ownership opportunities for Program Perumahan Rakyat (PPR) tenants • Full stamp duty exemption for first-time homeowners for properties below RM500,000 to cover sub-sale units • Establish Special Housing Tribunal to protect the rights and interests of every homeowner and tenant 	<ul style="list-style-type: none"> • Actively involve Local Authorities to provide more affordable homes for sale or rent • Expand the coverage of the Housing Credit Guarantee Scheme (HCGS) to provide more Government guarantees on housing loans

- According to the PropertyGuru Malaysia Consumer Sentiment Study 2H 2022, 51% of total respondents **do not qualify for affordable housing schemes** and cannot afford to buy a home without government's assistance.
- There are **factors for consideration given the weakening economic prospect, income and employment prospects, inflation and higher cost of living and the rise in mortgage rate.**
- We expect prospective home buyers to take a wait-and-see approach until the cost of living stabilizes. The survey shows that more than 69% of respondents plan to buy a house if the Home Ownership Campaign is revived.

PH's and BN's Manifestos:

Environment

Pakatan Harapan (PH)	Barisan Nasional (BN)
<ul style="list-style-type: none"> Table Climate Change Act to set carbon emission and forest coverage targets by 2040 RM1 billion funding to discourage state governments from degazetting forest reserves Increasing Marine Protection Areas to 30% by 2030 Increase investments in renewable energy to achieve the 50% target of the country's energy mix Incentive for solar system installations at homes Supporting green projects and ensuring 20% of 10,500 public premises will be given allocations for smart energy and renewable energy installation projects 	<ul style="list-style-type: none"> Stricter environmental laws, including a fine of up to RM10 million for offenders Tighter laws for mining and quarrying activities Remove approved permits (APs) for electric vehicles (EVs) All public transport services and official government vehicles to be environmentally friendly by 2030 All government projects to comply with ESG principles and benchmarks Increase Malaysia's forest cover to 60% of the land surface Renewable energy to represent 30% of total electricity generation by 2030

- Carbon tax implementation should start with awareness building instead of treating it as a new revenue source.
- Its implementation must fit Malaysia's current stage of development, and not simply follow what other countries have done in the past.
- We proposed to **implement carbon tax gradually** from GLCs to large enterprises, and subsequently to SMEs, allowing a transition grace period.
- Carbon tax shall start with a low rate** to encourage more businesses' participation and build public awareness over time.

PH's and BN's Manifestos: Tax Reform

Pakatan Harapan (PH)	Barisan Nasional (BN)
<ul style="list-style-type: none"> • Tax incentives for triple deductions on expenditures for encouraging exports • Tax exemption incentives and financial assistance to employers that train and employ senior citizens • 100% stamp duty exemption for first-time homeowners for properties below RM500,000 • Tax exemptions for investments in the farming sector, whether for companies or small-scale farmers 	<ul style="list-style-type: none"> • Tax incentive for companies that uphold gender and ethnic diversity in management • 100% income tax exemptions for 5 years for all women who return to the workforce after a career break • Tax cut to employers who introduce flexible working hours for working mothers • 2% income tax cut targeted at the M40 group (RM50k – RM100k) • Tax cut of up to RM5,000 for employers who train employees

- Boosting international trade is crucial to balance the country's growth engines, increase output and investment as well as generate employment.
- Full stamp duty exemption is beneficial to the first-time homeowner and also helps to reduce the overhang of unsold units. It is also recommended that to raise the threshold from properties priced below RM500,000 to between RM500,000 and RM1 million as proposed in the Budget 2023.
- A 2% tax cut for M40 groups and full income tax exemptions for women who return to the workforce were proposed in the Budget 2023, which has not been passed due to the dissolution of Parliament. These proposals should be included in the retabling of the 2023 Budget.





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谢谢
THANK YOU

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