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New Straits Times - Analyst Expects Upward GDP Revision

🕒 Monday, Oct 16 2017



AMBANK RESEARCH

Analyst expects upward GDP revision

KUALA LUMPUR: AmBank Research expects the 2018 Budget to continue focusing on the government's commitment to ensure healthy economic growth.

In his 2018 Budget preview, AmBank group chief economist Anthony Dass said this year's budget was expected to reduce fiscal deficit and address public debt.

"The objective is to bring prosperity to the nation and promote the wellbeing of the rakyat."

He projected Malaysia's 2017 gross domestic product (GDP) to be between 5.7 and 5.9 per cent, and thus expected an upward revision to between 5.5 and six per cent in the 2018 Budget.

He expected the government to revisit its 2017 GDP growth projection of between four and five per cent in the budget as the economy grew "beyond expectation" in the first two quarters of the year.

He said the robust growth was supported by strong exports that continued to be anchored by domestic demand.

"Foreign direct investments rose to RMI7 billion in 1Q2017 and RM8.2 billion in 2Q2017 mainly in the services, mining and manufacturing sectors."

He said the three per cent budget deficit target for this year was likely to be attained, thanks to stabilising commodity prices, better tax collection, improving global growth and ongoing fiscal consolidation.

"We believe the fiscal deficit for 2018 should improve marginally to 2.9 per cent on expectation of higher revenue from stronger crude oil prices and tax collection with prudent spending."

He said the automotive sector, hurt by high input costs due the ringgit's weakness, could get relief in further tax exemption for localisation and a reduction in excise duties and import duties.

"These savings could help lift

RUN UP TO 2018 BUDGET

NST 16/10

carmakers' margins from the doldrums, as well as lower car prices to stimulate demand."

He said while current incentives on hybrid and electric vehicles played a role in contributing to a cleaner environment, the impact was "very limited" as such cars were largely premium models that were sold in low volumes.

"We believe the incentives may be extended to include more mass-market energy efficient vehicles," he said, adding that incentives to mitigate the Goods and Services Tax would jog consumer spending on automobiles.

He said the budget could introduce measures to support home buyers, including allowing Employees Provident Fund contributors to withdraw a maximum of 50 per cent of their funds in Account 2 to purchase houses.

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