

Budget 2017 'lacks significant punch'

PETALING JAYA: Budget 2017 is another reflection of the times, lacking significant punch that may have the off-chance of altering the course of the economy despite challenging times, said PublicInvest Research.

"While it continued to contain a host of measures to alleviate rising living cost burdens for the lower-income strata of society, most of the other expenditure announcements are understandably prudent ones, as the government is committed to lowering the budget deficit to 3.0% of gross domestic product (GDP) next year," it said in a research note yesterday.

It also highlighted that the budget only made passing mention of government-linked investment corporations being asked to allocate RM3 billion to licensed fund managers for investments into small and medium-capitalised companies in an effort to reinvigorate capital markets.

"While there are no specific push factors to drive market participants out in droves, neither are there pull factors to entice anyone in a big way at this juncture hence the market drifting unexcitingly sideways with a downward bias. We do see the market increasingly primed for investors with a long-term horizon.

"The current period of relative lull is an opportune time for accumulation of undervalued stocks for the long-term especially if there are fresh bouts of weaknesses," it said.

PublicInvest Research's year-end target

for FBM KLCI is 1,720 points and it sees the market likely moving toward the 1,775 and 1,830 point range in 2017 should sentiment take a turn for the better.

In the absence of earthshaking measure, Hong Leong Investment Bank (HLIB) Research opined that the market will refocus on external developments, such as the US presidential elections, crude oil and the Fed rate hike.

It expects a pick-up in Q3 GDP growth to 4.2% with BNM staying pat, providing further comfort to the market that economic growth has already stabilised.

The research house also expects the FBM KLCI to move higher towards year-end on improved domestic data amid strong tendency of year-end rally. The year-end target is unchanged at 1,730 points.

PublicInvest Research said considering all things, it reckons that the budget 3% deficit target set is achievable though it remains wary over a series of possible domestic interest rate cuts, more intense capital flight and its resulting effect on government debt service charges, which already makes up about 13% of total operating expenditure.

AmResearch believes Budget 2017 is prudent and fair, with "something for everyone". Most importantly, the government remains committed to infrastructure spending as evidenced in a 2.2% increase in gross development expenditure budgeted to RM46 billion from a year ago.