



The Sun - SERC: Budget 2018 To Focus On Socio-Economic Aspects

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SERC: Budget 2018 to focus on socio-economic aspects

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KUALA LUMPUR: The upcoming Budget 2018 is likely to focus on socio-economic aspects, such as being more people-centric and supportive of businesses, considering that this will be the last budget to be tabled before the 14th General Election.

"There will be continuous focus on socio-economic projects apart from infrastructure projects, at the same time they want to make sure that operating expenditures, including BRiM, would have to be realigned to the revenue side," said Socio-Economic Research Centre (SERC) executive director Lee Heng Guie, who was speaking to reporters at the quarterly economy tracker media briefing yesterday.

Higher BRiM payouts, bonuses for civil servants and special cash assistance for targeted group could be anticipated from the Budget that is to be tabled on Oct 27.

In addition to that, SERC's wishlist for what it deems as the "least painful budget" encompasses capital allowances and incentives to spur investment in ICT and tax cuts and reliefs for corporates, individuals and households, among others.

With adoption levels of Industry 4.0

still being low, he said there appears to be a need for incentives catered to small and medium enterprises to embrace the trend.

While Lee opined that the corporate tax structure should be simplified and standardised, he said in the medium term the tax should be "outright reduced", as lower taxes will boost investments and production.

On another note, the government is on track of hitting the 3% fiscal deficit target this year and may narrow further to 2.8% next year, on the back of higher dividends from Petroliam Nasional Bhd (Petronas) and revenue from Goods and Services Tax (GST) collection.

However, it may be difficult for the government to achieve its fiscal balance target by 2020, if it's not prudent with its spending and address leakages.

As the 11th Malaysia Plan is drawing to a close, development expenditure may also be moderated.

Lee acknowledged that while there had been improvement in private consumption, which is a key supporting factor for growth in gross domestic products (GDP), there also appears to be a disconnect with the reality on the ground, as rising cost of living have contributed to weakened consumer sentiments.

On growth prospects, SERC projects

full year GDP to settle at 5.5% in 2017 before receding to 5.1% next year with strong industrial production and manufacturing sales. GDP growth will be further supported by private consumption and investments.

Its projections for 2017 is based on growth in GDP of 5.5% in the third quarter and 5.3% in the fourth quarter.

Lee who views the ringgit as undervalued, foresees the currency to stabilise at around the RM4.20 mark to a dollar citing Bank Negara Malaysia's offshore trading measures as one of the supporting factors.

According to Lee, the ringgit like other Asean currencies is poised to withstand shocks from external risks such as the unwinding of the balance sheet and an interest rate hike by the US Federal Reserve, with adequate foreign reserve levels being one of the cushioning factors.

Forecasting a full year exports growth of 17.5%, Lee expects the growth momentum to be sustained on the back of demand from the electrical and electronics industry. Malaysia's exports has been on the rise since April, having risen to RM82.2 billion in August from RM78.6 billion in July.

Inflation on the other hand is expected to be around 3.9%, before falling to between 2.5-3% in 2018.

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