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Budget 2021 to focus on four broad themes – Tengku Zafrul

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KUALA LUMPUR, July 7 – Budget 2021 to be unveiled on Nov 6, will be framed across 4 broad themes -- caring for the people, steering the economy, sustainable living and enhancing public service delivery, according to Finance Minister Tengku Datuk Seri Zafrul Aziz.

"First on caring for the people, the first goals of the Prihatin Rakyat Economic Stimulus Package (PRIHATIN) and the National Economic Recovery Plan (PENJANA) packages are to protect the Rakyat and to empower the Rakyat, respectively.

"Moreover, Malaysians have shown the will to build a better society and have demonstrated it admirably during the nation's toughest months," he said in his speech during Invest Malaysia 2020 today.

Tengku Zafrul said movements such as #KitaJagaKita (or We Care for Us) have witnessed Malaysians -- young and old – coming together with non-governmental organisations (NGOs) and corporations to help their fellow Malaysians.

"From gathering donations for front liners to providing food for vulnerable segments of society, the Malaysian spirit unity in diversity shine bright," he added.

On steering the economy, Tengku Zafrul said among the related areas under the theme includes ensuring gross domestic product (GDP) growth for 2021, increasing foreign direct investment (FDI) and consumer confidence.

In addition, equally important area under this theme is enhancing the usage of technology and digitalisation across various public and private sectors to spur economic growth.

"In this regard, the lockdown in March and April this year effectively accelerated the adoption of technology across the board, whether by individuals, small and medium enterprises (SMEs) or corporates," he added.

Under the government's stimulus packages, close to RM1 billion has been allocated to further encourage technological and digital adoption by SMEs and to nurture digital innovation by start-ups, as part of the its push towards being ready and competitive in the 4th Industrial Revolution.

Tengku Zafrul said from the capital markets' perspective, Bursa Malaysia and Securities Commission's (SC) push on digital technology to enable more cost-efficient online trading and investment platforms has resulted in encouraging both retail and institutional investors to embrace digitalisation, taking advantage of a more seamless and cost-efficient means of equity trading.

In the first quarter of this year, 74 per cent of the average daily trading value done by retail investors were transacted online.

Across all investors, online trading has increased to 41 per cent compared to 31 per cent during the first quarter of 2019.

Malaysia also saw significant increase of retail participation in the equity market, particularly from the youth segment and via online channels.

In the first quarter 2020, there was a 96 per cent year-on-year increase in Central Depository System (CDS) account opening.

"Moreover, out of the 50,000 new accounts opened as at end April, almost half were youths. For many of today's youths, technology is synonymous with infinite and instantaneous opportunities," said the finance minister.

The country, he said have also seen deals reflecting the trust and confidence in the domestic fintech space.

Among them, Great Eastern Holdings Ltd recently made a RM300 million strategic investment in a newly formed digital financial services unit of Axiata Group Bhd.

He also announced that the government will facilitate for greater diversity in intermediary models in the securities market, such as algorithmic trading platforms, digital-only brokers and more.

"The SC, working in tandem with Bursa Malaysia, will be enabling a more facilitative market structure, allowing for more flexible business models with more efficient capital structure.

"We believe that this will also spur greater innovation, create greater diversity in market participants and most importantly enhance value for investors, " Tengku Zafrul added.

He said Bursa Malaysia, SC and Bank Negara Malaysia (BNM), have continuously introduced and supported measures to further increase the transparency, dynamism, and vibrancy of the country's capital and financial markets.

"I believe that all this will contribute towards our economic recovery and growth into 2021," he noted.

On improving sustainable living theme, Tengku Zafrul said the COVID-19 crisis forced businesses and individuals to step up, not just digitally but also from an Environmental, Social, and Governance (ESG) perspective to support their workers, customers, and local communities.

"The COVID-19 pandemic has not slowed down the momentum for sustainable investing. In fact, in many markets including the United States, we have seen companies that embrace and practice ESG principles perform better," he said.

He said over a five-year performance period, the FTSE4Good US 100 has outperformed the US Large Cap with 80 per cent cumulative returns relative to approximately 65 per cent for the latter.

"Similarly, for Malaysia, in May, our benchmark index for ESG-focused companies, the FTSE4Good Bursa Malaysia Index, outperformed FBM KLCI with one-month returns of 5.3 per cent relative to 4.8 per cent for the latter.

"The dividend yield for the FTSE4Good Bursa Malaysia Index was also higher at 4.0 per cent relative to 3.8 per cent for FBM KLCI and 3.7 per cent for FBM EMAS," he said.

In addition, Tengku Zafrul said companies with good governance have shown better resiliency.

As at end-April, the MSCI World Governance Quality index is down by 5.0 per cent, whereas the MSCI World is down by 10 per cent.

Locally, he said Malaysia already have existing ESG-related incentives such as tax exemptions on management fees income for fund management companies managing Sustainable Responsible Investing (SRI) funds and Shariah-compliant funds, the extension of tax deduction on the cost of issuing SRI Sukuk for another three years until year of assessment 2023 and extension of the Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) until 2023.

"I would like to challenge companies to use the COVID-19 crisis as a springboard to either strengthen their ESG agenda, or begin incorporating ESG principles within their business and operations.

"Environment is, of course, only one aspect of the equation. The crisis has highlighted more of the "Social" and "Governance" aspects of ESG, which the government has wholly taken to heart. The government always welcomes collaboration in this space," he added.

On enhancing public service delivery, he said the government aims to be outcome-focused and support the Rakyat and businesses in a more targeted manner.

"In short, it should not be merely about the amount of funds disbursed, but whether the measures are impacting lives and livelihoods in a meaningful way. The results of these measures are also shared with the public on a weekly basis," he added.

Tengku Zafrul said the Inter-National Agencies Economic Stimulus Coordination and Implementation Unit (LAKSANA) is coordinating real-time data-feeds and data-sharing across 53 Ministries and agencies,

LAKSANA adopts a data-driven approach which enables more effective monitoring and tracking, he said, added that the data collected is so granular, and when necessary, enhancements or interventions can be deployed more quickly and cost-efficiently, ensuring assistance is properly delivered.

He said Malaysia has remained resilient despite strong headwinds, including the Asian Financial Crisis and the Global Financial Crisis due to the country sound economic fundamentals and well-developed institutional framework.

"Today, Malaysia's economy is also better diversified. Additionally, we have a strong external position, supported by current account surplus, adequate level of international reserves and large external assets held by banks and corporations," he said, adding that to-date, Malaysia's foreign currency external assets continue to exceed its foreign currency liabilities at 95% relative to 45 per cent for the latter.

Tengku Zafrul said together with the flexible exchange rate and a highly liquid and deep domestic government bond market, Malaysia do not have to rely much on external funding.

"I trust our future plans set out earlier are clear, particularly in terms of the four themes that will frame our Budget for 2021.

"I hope this will set the tone for the deliberations and conversations throughout this event. We really need more innovative ideas on how to leverage digitalisation, and also how to incorporate ESG considerations into our forward planning to propel Malaysia ahead under the new normal, ensure that Malaysia will be more business and market-friendly and grow investors' confidence," he concluded.

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