

## A 'GULA-GULA' BUDGET WITH SUBSTANCE

### Budget Carefully Crafted to Reduce Inflation and Garner Grass Root Support

#### No Election This Year

Overall, while we view the Malaysian Budget 2012 as essentially a 'gula-gula' (candy) budget with much focus on grass roots of the nation, it is clear as well that the election would unlikely be called in November. The windfall that would arise from the listing of FELDA Global, set to be the largest listed plantation conglomerate in the world would only reach the hands of settlers in a few month's time.

#### A Well Crafted Budget

Nevertheless, the Budget is clearly a well crafted one, taking for example the property sector, where slight increases in RPGT (Real Property Gains Tax) to discourage very short term speculation is introduced. This is yet packaged with a handful of incentives for both developers and genuine property investors, along with special focus put on affordable housing for the *rakyat*. And considering the funding constraints faced by the government, the RM6 billion private sector financed special stimulus package for infrastructure works is well thought out.

The incentive for Islamic finance such as the 3 years extension of the foreign currency *sukuk* will continue to position Malaysia as the global leader in Islamic capital market.

#### Emphasis on Niche Area

A budget seemingly giving some disappointment for the corporate sector, Malaysia has nevertheless recorded the highest FDI growth in Asia for 2010, the focus by allocating RM 90 billion to fast track ETP (Economic Transformation Projects) enshrines the government's focus to work on the nation's strength in certain strategic industries. This shows that the government is always mindful on our niche by providing incentives in the area of treasury management centre for MNCs to accelerate financial market development, potentially replicating the success achieved in attracting international operational headquarters (OHQ) in the past.

#### Some Setbacks

Perhaps the only setbacks of this budget, the government could device more efficient tax structures rather than passing the buck to employers as what the proposed increase in EPF contribution of the employer portion for those earning below RM5000 a month indicates. Despite of a few stimulus packages, the Budget 2012 is not doing enough to cushion the impact from the global financial crisis.