

FISCAL STIMULUS PACKAGE: TIME TO STIMULATE THE ECONOMY

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**DR. MOHD AFZANIZAM ABDUL RASHID
SHAFIZ BIN JAMALUDDIN
NOR JANNAH ABDULLAH
NURRIZQUE ADDELINA**



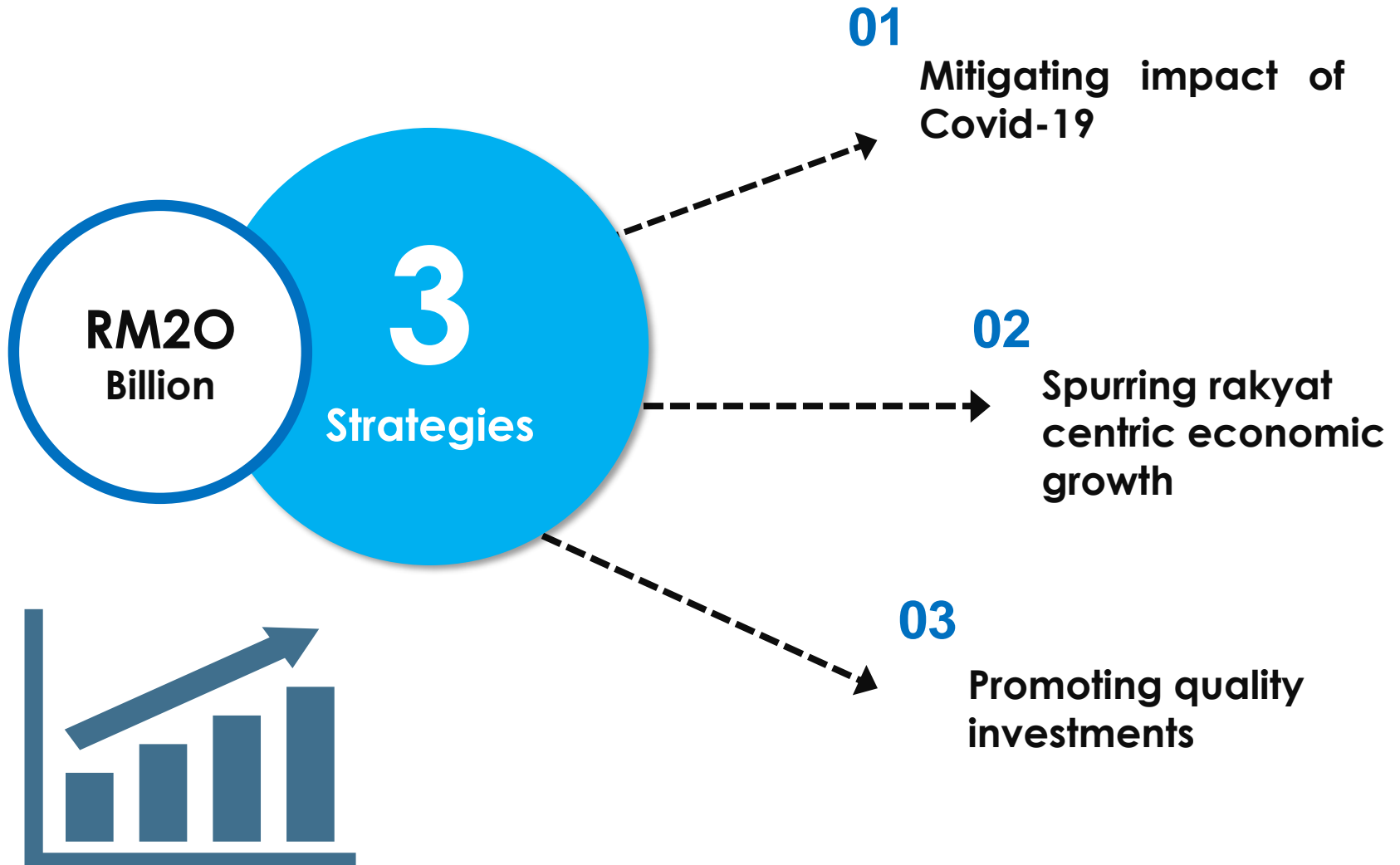
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Sizeable fiscal stimulus – the total package amounted to RM20 billion. This is more than our estimates of RM14 billion to RM15 billion. The fiscal deficits are expected to widen to 3.4% of GDP in 2020 (Initial estimates: 3.2%) as a result. GDP growth for this year has been set to a more reasonable target of 3.2% to 4.2% from 4.8% previously. Hence, this could boost confidence among the businesses, investors and households.

Government machinery is intact and therefore, the plan will be executed – despite concern on the prevailing political climate, stable government machinery will ensure the fiscal stimulus will be implemented accordingly.

Well targeted stimulus – the government is focusing on the cash flow of the affected industries by deferring the monthly tax payments and exemptions on regulatory costs as well as financing packages. This will allow the affected companies to manage their working capital.

Higher multiplier effect indicates growth can be stabilized – our estimates showed that for every RM1 spent by the government, it would result in RM4.50 in GDP. Therefore, we expect economic growth to pick up its pace in the 2Q2020 onwards. Having said that, we have revised our full year GDP growth forecast from 4.3% to 4.0%. In the 1H2020, the economy could record 3.2% growth before picking up its speed at a rate of 4.7% in 2H2020.





RESTRUCTURING AND RESCHEDULING OF LOANS

- Financial institutions will provide financial relief to borrowers from tourism and other effected businesses. The rescheduling will be extended as well to individuals whom income have been effected.
- 100% stamp duty exemptions given to loan agreements arising from such rescheduling of loan agreements from 1 March to 31 December 2020.



SPECIAL RELIEF FACILITY (SRF) FOR COVID-19

- To help SMEs, RM 2 billion special relief facility offered through commercial banks as loans for working capital at an interest rate of 3.75% per annum to borrowers.



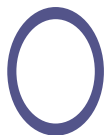
BANK SIMPANAN NASIONAL (BSN) MICRO CREDIT FACILITY

- RM200 million micro-credit scheme for companies in the tourism and other affected sectors at an interest rate of 4%. Repayment begins after 6 months of disbursement.



DEFERMENT AND REVISION OF INCOME TAX ESTIMATION

- 6 months tax deferment for businesses in the tourism industry.



SERVICE TAX EXEMPTION FOR HOTELS

- Exempted from levying service tax for a period of six months from 1 March 2020 until 31 August 2020.



TAX DEDUCTION ON EQUIPMENT PROVIDED TO EMPLOYEES (PPE ONLY)

- Expenses incurred to provide employees with disposable Personal Protective Equipment (PPE) such as face masks are eligible for tax deduction. Whereas, expenses for non-disposable PPE products can be claimed as capital allowance.



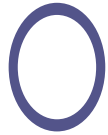
FURTHER DEDUCTION TO HOTEL OPERATORS FOR TRAINING EXPENSES



EXEMPTION FROM HUMAN RESOURCES DEVELOPMENT FUND (HRDF) LEVY

- Exemption from HRDF levies for a period of six months effective 1 April 2020 to 30 September 2020.

STRATEGY 1: MITIGATING IMPACT OF COVID-19



ELECTRICITY DISCOUNT OF 15%

- 15% on monthly electricity bills will be given to six categories of businesses, namely hotel operators, travel agencies, local airlines offices, shopping malls, convention centres and theme parks for a period of six months from 1 April to 30 September 2020.



REVIEW ON CONDITION FOR PURCHASE OF DUTY-FREE GOODS FOR PERSONS ENTERING MALAYSIA

- The eligibility period for the purchase of duty-free goods by tourists or individuals entering Malaysia is reduced from 72 hours to 48 hours and the threshold for duty-free goods is increased from RM500 to RM1,000 from 1 April 2020.



SPECIAL INCOME TAX RELIEF ON DOMESTIC TRAVEL

- A special income tax relief of up to RM1,000 for domestic tourism made from 1 March to 31 August 2020 (limited to accommodation expenses and entrance fee).



STIMULATING DEMAND FOR TOURISM THROUGH DISCOUNT VOUCHERS AND TOURISM PROMOTION

- RM500 million will be allocated for Travel discount vouchers, "Galakan Melancong Malaysia" matching grant, and tourism promotion.



EMPLOYMENT INSURANCE SYSTEM (EIS)

- EIS is well positioned to assist retrenched workers, with the fund amounting to RM1.1 billion.



HOSPITAL EQUIPMENT OUTBREAK

- An allocation of RM150 million was approved in providing thermal scanners at point of entries and all other equipment and consumables.



ONE-OFF CASH INCENTIVE OF RM600 FOR TAXI & TOUR BUS DRIVERS, TOUR GUIDES



SPECIAL ALLOWANCE OF CIVIL SERVANTS DIRECTLY INVOLVED COVID-19

- Special allowance of RM400 per month for doctors and other medical personnel and RM200 for frontline effective from 1 February 2020 until the outbreak is contained.



Minimum employee contribution to the EPF will be reduced by 4% from 11% to 7% starting April to December 2020.



Bantuan Sara Hidup (BSH) amounting RM200 to be paid in March 2020 and additional one-off cash payment of RM100 will be made in May.



Facilitate procurement process by increasing the threshold for ballots and quotation.



RM2 billion worth of projects which will be carried out at various levels including Federal, State and Local Governments.



The BNM will expand fund utilisation of RM1 billion specifically for SMEs involved in food production. In addition, another RM40 million allocation for them to enhance their income.

STRATEGY 3: PROMOTING QUALITY INVESTMENT



Optimising and accelerating public investment.



Accelerated capital allowance for capital expenditures on machinery and equipment.



Import duty and sales tax exemption on equipment and machinery for port operators.



RM300 million SME Automation and Digitalisation Facility (ADF) for SMEs to innovate their productive assets.



Renovation and refurbishment by businesses will be given tax deduction.



Double deduction on pre-commencement expenditure for establishment of regional office by international shipping companies.



Government Linked Investment Companies (GLIC) will co-invest up to RM500 billion with private investors in early and growth stage Malaysian companies.



The Securities Commission and Bursa Malaysia will waive their listing fees for companies seeking listing on LEAP or ACE market for period of 12 months.



Process of Licensed Manufacturing Warehouse (LMW) and Free Industrial Zone (FIZ) to be improved and simplified.

The size of the fiscal stimulus of RM20 billion is more than expected. We were looking at around RM15 billion. Our take is that the measures were well targeted with emphasis on the affected sectors namely the tourism related industries as well as to ensure the viability of the economy in the long run. Targeted measures to address the cash flow of the affected companies are lauded such as the deferment of income tax monthly installment for 6 months, special discount of 15% on electricity bills, exemption on HRDF levy for 6 months and financing package from various institution (BNM, BSN and BPMB). Also, the EPF members' contribution rate will be reduced from 11% to 7% commencing April until end of this year, one-off cash payment to the tourism related industries employee and bringing forward the BSH payment would sustained the consumer spending which made up more than 50% of our economy. The government has also set a reasonable GDP growth target of 3.2% to 4.2% for 2020 as the economy is expected to be affected in the 1H2020. Consequently, the fiscal deficits are expected to widen from the initial target of 3.2% to 3.4% in 2020. All in all, the measures are timely and well-targeted. Expansionary fiscal policy should be able to provide the right support to the economy alongside with the accommodative monetary policy adopted by the central bank. Additionally, the number of confirmed-cases of Covid-19 appears to have peaked at 15,200 as of 13 February 2020 and currently, such statistics have gone down to 991 cases as of 26 February 2020. This would imply hope that the Covid-19 outbreak has been contained. **As such, we are positive on the fiscal stimulus announcement.**

THANK YOU

Bank Islam ensures that social and environmental considerations are consistently its top priority governed by the Bank's core values and Shariah principles. More initiatives will be developed by the Bank as the Bank strives to make a positive difference for its financial and social performance.

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