Market says revised 2016 growth forecast 'realistic'

BY GHO CHEE YUAN

KUALA LUMPUR: Captains of industry and economists deemed "realistic" Malaysia's revised spending plans and growth forecast for 2016, saying it showed commitments to consolidate its fiscal balances, which could help sustain short-term economic growth by boosting consumer spending.

"The revised official growth forecast target of 4% to 4.5% is more realistic and we applaud the government for having the strong will to keep its deficit-to-gross domestic product (GDP) ratio at 3.1% [for 2016]," said CIMB Group Holdings Bhd group chief executive officer Tengku Datuk Seri Zafrul Aziz yesterday.

"While the government will cut further its spending, mostly on operating expenditure to weather the impact of lower oil prices, it is still committed to development spending," he said, adding that the decision to defer only low-impact development projects indicates a strong pro-growth policy with the people's well-being not compromised.

"We expect the medium- to longer-term outlook for the economy to remain positive," he said.

Affin Hwang Capital Research chief economist Alan Tan said the budget recalibration could sustain the country's economic growth.

"We expect some stabilisation and recovery in China, and global oil prices to recover to between US$40 (RM168.40) and US$45 per barrel in the second half of 2016," he said, believing that Malaysia is on track to achieve its fiscal deficit of 3.1% this year.

Tan also said the 3% reduction in EPF contribution bodes well for the private consumption sector.

"Even without the cut in EPF [contribution], we think private consumption [will] remain healthy, driven by favourable labour market conditions [and] healthy income growth. The government's initiative to boost tourism could also boost consumer spending," he said.

Deloitte Malaysia country tax leader Yee Wing Peng said the 3% EPF contribution cut amounts to an additional RM8 billion disposable income for Malaysia's 13.8 million workforce.

"If all RM8 billion is spent as investment or expenditure within our economy, it will boost our GDP of RM1.2 trillion by about 0.65%," he added.

He sees consumer products, particularly food and beverages, dairy products and garments, benefiting from the budget revision.

"[The] education and tourism sectors will benefit from the additional RM5 billion allocation for study loans and the arrivals of Chinese tourists without visas.

"Small and medium enterprises and start-ups will also benefit from the RM6 billion fund injected by the development financial institutions and state-owned venture capital funds to go through this difficult time," Yee added.

Meanwhile, AllianceDBS Research economist Manokaran Mottain said the 3% cut in EPF contribution and special incentives could boost the low- to middle-income group's consumption via higher disposable income.

"While the government was relatively silent on the specific operating and development expenditures they are targeting to slash, the commitment to achieve the 3.1% fiscal deficit to GDP target should augur well for the country's sovereign rating standings," he added.

Real Estate and Housing Developers' Association Malaysia president Datuk Seri FD Iskandar said the limitation of sale for houses priced up to RM300,000 for all new housing projects to first-time homebuyers only may be a good move. "The financing package offered at 4% for Program Perumahan Rakyat house buyers is definitely good news to the rakyat, in view of [the] current situation, where housing loan financing has become a main problem among house purchasers."