

## **Malaysia – Stimulus Packages in Mitigating the Impact of Global Slowdown**

The Malaysian economy is expected to experience the full impact of the global downturn in 2009. In response, several policy measures have been put in place with a primary focus on supporting domestic demand as well as mitigating the impact of the global slowdown on the affected segments of the economy. These included two economic stimulus packages of RM67 billion, amounting to almost 10% of GDP, aimed at supporting private sector demand, creating employment and training opportunities, easing the burden of the affected sectors as well as building long-term capacity of the economy.

**First Stimulus Package** amounted RM7 billion to reinforce the economy from external pressures from global economic. The distribution of RM7 billion under 1st stimulus package covered:

- (1) Construction, upgrade and maintenance of social infrastructure and public amenities, especially school, hospitals and roads in rural areas. (RM1.8 billion)
- (2) Investment Fund to boost private sector investment, especially FDI, via grants, soft loans and equity capital, with priority given to high value added strategic sectors and high impact projects (RM1.5 billion)
- (3) Construction of low cost and affordable housing (RM1.2 billion)
- (4) Upgrade, repair and maintenance of police and armed forces' station, camps and living quarters. (RM0.5 billion)
- (5) Maintenance and improvement to public transportation sector. (RM0.5 billion)
- (6) Speed up High Speed Broad band Project (RM0.4 billion)
- (7) Skills training program, targeted for sectors/industries like tourism, health, construction and business process outsourcing. (RM0.3 billion)
- (8) Social program, i.e. early child hood education and Rakan Muda (RM0.3 billion)
- (9) Human Capital Development via allocation of youth training program by private training institution. (RM0.2 billion)
- (10) Rejuvenate viable abandoned housing project (RM0.2 billion)
- (11) SMEs (RM0.1 billion)

In March 2009, the **second stimulus package** in form of **Mini Budget** tabled in Parliament amounting to RM60 billion was implemented. The second stimulus package has 4 thrusts namely:

- (1) Reducing unemployment and increasing employment opportunities (RM2 billion)
- (2) Easing the burden of the Rakyat, in particular vulnerable groups (RM10 billion)
- (3) Assisting the private sector in facing the crisis (RM29 billion)
- (4) Building capacity for the future (RM19 billion)

The RM60 billion stimulus package which accounts for almost 9% of the GDP will be implemented over two years, i.e. 2009 and 2010. The Mini Budget includes the following:

### **Wage Earners**

- » House buyers given tax relief on interest paid on housing loans up to RM10,000 a year for three years;
- » Tax exemption under retrenchment benefit raised to RM10,000 from RM6,000 for each completed year of service;
- » The government will issue RM5 billion in syariah-compliant Savings Bonds this year. The bond will have a maturity of three years, with an annual return of 5% and will be paid quarterly. All citizens aged 21 and above are eligible. Minimum investment of RM1,000 and a maximum of RM50,000.
- » RM674 million to subsidise prices of necessities, such as sugar, bread and wheat flour.
- » RM480 million subsidy to ensure that toll rates are not raised.
- » RM20 million to improve facilities of day-care centres for the elderly, improve management of women shelter homes and increase facilities for child care centres;
- » Increase the number of scholarships for entry into local private universities;
- » Government-linked Companies to set up 10 not-for-profit private schools.

### **Businesses**

- » Effective Feb 1, levy payments to human resource development fund exempted for six months for textile, electrical and electronic industries;
- » Effective April 1, levy payment rate to be reduced to 0.5% from 1% for all employees for a two-year period;
- » Working Capital Guarantee Scheme totalling RM5 billion to provide working capital to companies with shareholder equity below RM20 million;
- » Financial Guarantee Institution with an initial RM1 billion in paid-up capital to provide credit to companies intending to raise funds from the bond market. Bonds totalling RM15 billion will be raised under this facility;
- » Rights issues by listed companies will no longer need Securities Commission approval;
- » Code on takeovers and mergers no longer applicable to private limited companies;
- » Only the Securities Commission has to be informed of any amendments to the terms and conditions of bonds and *sukuk* issuance;
- » Convertible and exchangeable bonds exempted from mandatory rating requirements;
- » Permanent Resident status will be considered for high net worth individuals bringing more than US\$2 million for investment or savings in Malaysia;
- » High-skilled foreign professionals may also be considered for Permanent Resident status;

- » Investments between March 10, 2009 and December 31, 2010, expenses incurred on plant and machinery be given Accelerated Capital Allowance which can be claimed within two years;
- » To improve companies' cash flow, current year losses (maximum RM100,000) be allowed to be carried back to the immediate preceding year;
- » The threshold for windfall profit levy for oil palm increased to RM2,500 per tonne for Peninsular Malaysia and RM3,000 for Sabah and Sarawak.

**Economy:**

- » RM100 million to build sky-bridges and covered walkways between buildings mainly in the Golden Triangle, Kuala Lumpur; » RM1.6 billion fund to promote investments;
- » Additional RM200 million for public low-cost housing scheme for low-income earners;
- » RM200 million to repair and maintain roads and drains;
- » RM150 million for renovation, maintenance and repairs to welfare homes, fire and rescue stations, firemen living quarters and public toilets in mosques, suraus and tourist spots;
- » RM1.95 billion to build and upgrade facilities in 752 schools, particularly in rural areas, Sabah and Sarawak of which RM300 million will be used to improve facilities in government-aided religious schools, Chinese and Tamil schools and mission schools;
- » RM230 million to increase electricity supply coverage and water supply in rural areas particularly in Sabah and Sarawak.
- » RM350 million for rural road construction.
- » RM200 million to upgrade infrastructure in tourist spots;
- » Khazanah Nasional's investment fund will be increased by RM10 billion and will be invested over a two-year period, giving priority to domestic investment that has high multiplier effects and create more jobs;
- » RM2 billion to assist implementation of projects through Private Finance Initiative and public-private partnerships. Private firms to be invited to bid for the funds;
- » Services sector to be further liberalised to woo more investments, bring in more professionals and technology and strengthen competitiveness;
- » Foreign Investment Committee to adopt more liberal approach to bring positive changes and nurture more investor friendly environment
- » RTM to be allocated RM20 million to implement several projects to develop the local music industry;
- » All government procurements will be made through open tenders or restricted tenders except for specific cases.

**Sabah and Sarawak:**

- » RM500 million to maintain public infrastructure projects, with emphasis on Sabah and Sarawak;

- » RM1.2 billion allocated for providing infrastructure and increasing economic activities in Sabah and Sarawak;

**Agriculture:**

- » RM300 million for micro-credit programme under Agro Bank to assist farmers and agro-based businesses in rural areas and RM50 million for cottage industries.
- » RM2 million Fishermen's Welfare Fund to be established and managed by the Malaysian Fisheries Development Authority;

**Auto Industry:**

- » Additional RM200 million for the Automotive Development Fund;
- » RM5,000 discount to car owners who trade in their cars which are at least 10 years old to buy new Proton or Perodua cars;

**Airport:**

- » Malaysia Airports Holdings Bhd to build and operate a new low-cost airport at the KL International Airport estimated to cost RM2 billion;
- » RM250 million to expand Penang International Airport;
- » A 50% rebate on landing charges will be given for two years effective April 1 to all airlines that operate from Malaysia.