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BUDGET 2021

In this report:

Malaysia – Extraordinary times call for an unprecedented budget

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Budget 2021

Highlights

- A. Need for an expansionary budget to boost business sentiment and consumer confidence
- B. Stepping back from balancing the budget is welcoming
- C. Time to increase spending on:
 - *Health, which must take place to save lives*
 - *Repairing Covid-19 damage through infrastructure/construction*
 - *Education system that has been made vulnerable by Covid-19*
- D. Digital support for SMEs and small-scale entrepreneurs
- E. Success depends on clarity and coordination

Extraordinary times call for an unprecedented budget

- A. Need for an expansionary budget to boost business sentiment and consumer confidence
 - Budget 2021 continued to remain expansionary to ensure the people's well-being, business continuity and economic resilience amid the Covid-19 pandemic. The budget is part of the government's 6R's plan, namely Resolve, Resilience, Restart, Recovery, Revitalise and Reform.
 - Given that this budget is to "revitalise" the economy, the focus is on the people's lives, livelihoods as well as businesses with the aim of ensuring sustainable growth. It is a continuity from the four stimulus packages worth RM305 billion that were announced previously.
 - The most recent stimulus package was the additional assistance under the RM10 billion Prihatin supplementary initiative, which is in line with the government's efforts to boost economic recovery. The Kita Prihatin package (RM10 billion) is an extension of the previous economic stimulus packages, namely Prihatin (RM250 billion), Prihatin SME PLUS (RM10 billion) and Penjana (RM35 billion) worth a total of RM305 billion, or about 21% of the GDP, which also included a fiscal injection totalling RM55 billion by the government (see Table 1).

- Designed under an unprecedented environment to address the Covid-19 challenges, this budget continued to be expansionary with a deficit of RM84.8 billion or -5.4% of GDP following a RM86.4 billion deficit or -6.0% of GDP in 2020. Supported by Budget 2021, RM305 billion stimulus package, higher public debt/GDP ceiling at 60% from 55% previously, an anticipated improvement in global trade and GDP as well as a low base effect, the official GDP projection for 2021 would be around 6.5%-7.5%.
- However, the potential economic growth outlook for 2021 would depend on the Covid-19 situation. Should the number of cases rise, leading to more restrictive measures, it could have some knock-on effects on the 2021 growth outlook. And even if the vaccine is successful, it would depend on the availability and efficacy.

B. Stepping back from balancing the budget is welcoming

- The world, including Malaysia, remains confronted with a global pandemic outbreak. And it is challenging for policymakers at all levels of the government. Under such challenging times, policymakers should not be too fixated on balancing the budget. The current focus should be on lives, livelihoods as well as business and economic activities.
- The longer the pandemic drags on, the more severe the situation becomes. On that note, the government's decision to continue pump-priming to address the coronavirus-battered economy is welcoming. The projected 5.4% fiscal deficit/GDP in 2021 is still below the 6.7% deficit in 2009 when the government then implemented stimulus measures to ease the impact of the 2008 global financial crisis.
- The projected 5.4% fiscal deficit/GDP is only slightly narrower than 2020's 6% fiscal deficit/GDP which in part was due to a shortfall in revenue by 7% at RM227.3 billion from the initial Budget 2020. Revenue for 2021 is projected to increase by 4.2% to RM236.9 billion. The contribution from oil revenue is estimated to drop to 16% in 2021 from 22% in 2020 – the lowest since 2017 where oil revenue contribution was 15.7%. Oil price is projected at a conservative US\$42 per barrel versus US\$40–45 for 2020 (see Tables 2 and 3).
- Meanwhile, contribution from Petronas dividends would be at RM18 billion (RM34 billion in 2020). There will be no changes to the contributions from BNM (RM3.5 billion), KWAP (RM5 billion) to partly finance the retirement charges and Khazanah Nasional (RM2 billion) in dividends. However, returns from other internal investment should double to RM14.0 billion from RM7.3 billion in 2020 (see Table 3).

C. Time to increase spending

- The world remains confronted with a global pandemic outbreak that is challenging the policymakers at all levels of the government. Malaysia is no exception. Covid-19 is severely affecting health, freedom of movement, food security, employment, education, trade, and leisure – there is hardly any aspect of our social and economic system that has not been shackled or halted by the present crisis. In retrospect, the 2008-09 financial crisis now seems like a small-scale rehearsal of these disruptions to our socioeconomic system.
- Budget 2021 plays a key role to protect lives, livelihoods and business as well as economic activities — most crucially and visibly during the recent outbreak of the coronavirus. The spending allocated in this budget rose by 2.5% to RM322.5 billion coming from a whopping increase by 38% to RM69 billion in development expenditure and RM17 billion Covid-19 disbursement fund while operating expenditure grew 4.3% to RM236.5 billion (see Tables 4 and 5).



Health spending must take place to save lives

- The priority for governments and the global community is to prevent people from contracting the disease and to cure those who are already infected. Greater allocation on health spending has been outlined in this budget, up 63.9% to RM4.7 billion (see Table 5.)
- The economic losses from the disease can be divided into direct and indirect costs. The direct costs will come from the loss of lives, workplace closures and quarantines. Meanwhile, the indirect costs are from the loss in consumer confidence and businesses, jobs as well as the tightening in financial markets.
- On that ground, health spending must occur regardless of how much room the budget may have. This is vital, given the virus' rapid contagion and actions to save lives and help ensure the country's health system — including areas that have limited capacity — does not become overwhelmed.
- Even in developing an effective vaccine, public money is needed.

Repairing Covid-19 damage through infrastructure/construction

- As the government grapples with the healthcare challenges associated with this pandemic, the economic toll must also be considered. What is the best way to get the economy back on track after this historically unique crisis? This is the central question in the people's minds when the budget packages were announced.
- Various assistance to support the most vulnerable and keeping businesses afloat are important priorities in the immediate term as unveiled in this budget (see Appendixes 2B and 6D). These measures alone will not bring about long-lasting results.
- A critical step taken by the government to address the economic toll is to earmark part of the stimulus spending on transport/infrastructure. Budget 2021's allocation rose by 7.5% (see Table 7). It will provide positive spillover effects on other activities as a result of the sizeable amount that would help lift up the economy.
- Spending on infrastructure/construction is one of the key levers to stimulate the economy — both in short-term demand and long-term productivity, especially in a time of economic crisis. It lays the groundwork for future economic growth, whether it is an improved transport network to move goods, a digital backbone to power a new economy, hospitals or education facilities to train a skilled workforce for the future (see Tables 6A and 6D).
- The multiplier effect to the economic activity is high at 1.8 times to the gross output of other industries or the overall economy for every RM1.00 spent. The immediate spillover will be on townships located along the development pathway. They will benefit from the greater demand for supply provisions and the supporting services. Opportunities for the opening up of new industrial and commercial sectors along the corridor can be envisaged. This will lift consumer and business sentiments.
- On the longer term, this segment of the economy will spur new economic activities along the development areas. With more infrastructure projects, the localised impact will be stronger in terms of job creation, business opportunities and injection of income into the local economy.

Education system made vulnerable by Covid-19

- This crisis has exposed the many inadequacies in our education system – from access to broadband connection and computers needed for online education, and the supportive environment needed to focus on learning, to the misalignment between resources and needs.



- The lockdowns in response to Covid-19 have interrupted conventional schooling with nationwide school closures. While the educational community has made concerted efforts to maintain learning continuity during this period, children and students have had to rely more on their own resources and those who can afford it can spend to get it done, especially to continue learning remotely through the Internet, television or radio.
- Teachers have also had to adapt to new pedagogical concepts and modes of delivery of teaching, for which they may not have been trained. In particular, learners in the most marginalised groups who do not have access to digital learning resources or lack the resilience and engagement to learn on their own, are at risk of falling behind.
- The decision in this budget to increase the allocation for education by 8.9% to RM51.1 billion is positive. As we enter the Covid-19 revitalise phase, it will be critical to reflect the role of the educational system – and particularly vocational education – in fostering resilient societies. The reason being, the health crisis and the lockdowns that followed have brought to the fore professions that have often been taken for granted, renewing our awareness of their value to society.
- And the capacity to react effectively and efficiently in the future will hinge on the governments' foresight, readiness and preparedness. Through its role in developing the competencies and skills needed for tomorrow's society, the education system will need to be at the heart of this planning.
- This includes rethinking how the economy should evolve to guard against adversity, and defining the skills, education and training required to support it.
- It also means working in close collaboration with other government and private sectors to increase the attractiveness and labour-market prospects of certain professions, including those considered paramount for the common good.

D. Digital support for SMEs and small-scale entrepreneurs

- Budget 2021 focuses on digitalisation and automation that could help SMEs transform and build the economy as they play an important role in the economy.
- Although they face cash flow issues and sales recovery following the restriction in movement, the focus on digitalisation and automation in this budget can be seen as a way to support those who survived this crisis to become more resilient in these economic uncertainties.
- And this budget has provided incentives to smaller scale, local entrepreneurs. They can now have access to the country's digital economy e-commerce platform. This would open up new opportunities that were not available previously in their traditional mode of operations.
- And by adopting digitalisation and automation, they are expected to improve their efficiency and in the long run, reduce their dependency on foreign workers which is an ongoing challenge for the local businesses. The upskilling and reskilling will help SMEs equip themselves to adopt to digitalisation.
- A key focus would be on the disbursement of these funds. It should reach the intended businesses in a timely manner.

E. Success depends on clarity and coordination

- Underpinned by the expansionary fiscal budget at -5.4% of GDP (RM84.8 billion), supported by the RM305 billion stimulus measures and assuming the global GDP and trade improves added with low base, the overall domestic economy is projected grow at a robust pace of 6.5%--7.5% in 2021. It falls within our 6.5%–7.0% projection.



- Most sectors of the economy are expected to perform better in 2021 (see Table 6). Besides, domestic demand is envisaged to improve and contribute positively on the anticipation of a gradual resumption of the overall economic activities and thus restores both the business and consumer sentiments
- The necessity of taking reactive measures in view of the reduction in economic activity and revenue with expenditures surging remains vital. The crisis is asymmetric both in terms of its impact and in terms of capacity available within the country.
- However, the success of 2021 and beyond will depend on how the pandemic virus plays out next year. Should the number of new cases remains troubling and results in more restrictive measures, it could clip some percentage points of the 2021 GDP's growth target.
- How severe the impact should the pandemic virus continue to weigh on 2021 growth will depend how successful the government's reactionary policies are instituted. In times of uncertainty, there is a need to have policy certainties and strategies that can boost investors' confidence as well as consumer sentiment.
- Clarity in policy certainty will be welcomed by businesses as some of them have been holding back due to uncertainties in the local and external markets. Besides, coordination is important. All levels of the government need to act coherently and quickly to design and implement policies in order to reduce the risks.
- This is more so as in some cases, different levels of the government are tasked with similar responsibilities. Under such circumstances, coordination remains crucial for each level of the government. There is a need to focus on the activities that they are better prepared for, reducing redundancy and improving consistency.
- The risk of errors may cost lives, livelihoods and impact businesses as well as economic activities negatively. Besides, considerable amounts of resources will be wasted. In order to better tackle the Covid-19 crisis, some of the specific responsibilities could be recentralised or decentralised, and institutions being either created or reoriented to support vertical and horizontal cooperation.

**Table 1: Economic Stimulus Packages 2020**

PROGRAMME	RM'bil
Prihatin	250.0
Loan Moratorium	100.0
Danajamin: Financing Guarantee Scheme	50.0
EPF: i-Lestari Scheme	40.0
Bantuan Prihatin Nasional	10.0
EPF: Employer Advisory Services	10.0
Wage Subsidy Programme	5.9
BNM: Facilitation Fund	4.0
Small Infrastructure Projects	2.0
Healthcare (COVID-19)	1.5
Food Security Fund	1.0
Micro Credit Scheme	0.5
Assistance for Tertiary Students	0.3
Other PRIHATIN Measures	5.1
Economic Stimulus Package	19.7
Prihatin Plus	10.0
Additional Wage Subsidy Programme (enhancement of the existing programme)	7.9
Geran Khas PRIHATIN	2.1
Penjana	35.0
Initiatives to Empower the People	13.2
Initiatives to Propel Businesses	9.7
Initiatives to Stimulate the Economy	6.7
Other PENJANA Measures	5.4
Kita Prihatin	10.0
Bantuan Prihatin Nasional 2.0	7.0
Wage Subsidy Programme 2.0	2.4
Geran Khas PRIHATIN	0.6
GRAND TOTAL	305.0

Source: MoF/AmBank Research



Table 2: Government Budget

	2018	2019	2020				2021(f)
			Budget 2020	SP1	SP2	Budget 2021	
Revenue (bil)	232.9	264.7	244.5	244.5	244.5	227.3	236.9
Operating expenditure (bil)	231.0	263.3	241	241	259.4	226.7	236.5
Surplus /deficit (-) (bil)	1.9	1.4	3.5	3.5	-15	0.6	0.4
Gross development expenditure (bil)	56.1	53.7	56.0	58.0	60.0	50.0	69.0
Less: Loan recoveries (bil)	0.8	0.9	0.8	0.8	0.8	1.0	0.8
Net development expenditure (bil)	55.3	52.6	55.2	57.2	59.2	49.0	68.2
COVID-19 Fund	nm	nm	nm	nm	nm	38.0	17.0
Overall surplus / deficit (-) (bil)	-53.4	-51.2	-51.7	-53.7	-74.2	-86.4	-84.8
Fiscal Deficit (%) Nom GDP (bil)	-3.7	-3.4	-3.2	-3.4	-4.9	-6.0	-5.4
Nominal GDP (bil)	1,447	1,511	1,608	1,574	1,500	1,439	1,568
Nominal GDP (y/y %)	5.5	4.4	6.4	4.2	-0.7	-4.7	8.9
Real GDP (y/y %)	4.8	4.3	4.8	4.8	0.0	-4.5	6.5 to 7.5

Source: MoF/AmBank Research

Table 3: Government Revenue

	(RM'bil)			(y/y %)			(% Share)		
	2019	2020(est)	2021(f)	2019	2020(est)	2021(f)	2019	2020(est)	2021(f)
Tax Revenue	180.6	153.3	174.4	3.7	-15.1	13.8	68.3	67.4	73.6
Direct Tax	134.7	115.1	131.9	3.6	-14.6	14.6	51.0	50.6	55.7
CITA	63.8	59.4	64.6	-4.1	-6.8	8.8	24.1	26.1	27.3
Individual	38.7	35.9	42.4	18.6	-7.2	18.2	14.6	15.8	17.9
PITA	20.8	8.6	13.0	3.5	-58.9	52.0	7.9	3.8	5.5
Indirect Tax	45.8	38.2	42.5	4.1	-16.8	11.4	17.3	16.8	17.9
GST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales Tax	15.4	12.1	15.2	287.4	-21.4	25.7	5.8	5.3	6.4
Services Tax	12.3	12.4	12.7	734.0	1.3	2.1	4.6	5.5	5.4
Excise Duties	10.5	8.5	8.8	-2.5	-19.1	3.1	4.0	3.7	3.7
Import Duties	2.7	2.0	2.1	-5.7	-25.5	0.7	1.0	0.9	0.9
Export Duties	1.1	0.8	0.9	-34.7	-28.8	15.0	0.4	0.4	0.4
Non-Tax Revenue	79.8	74.0	62.5	56.2	-7.3	-15.5	30.2	32.6	26.4
Licences and Permits	14.5	13.2	12.7	64.0	-8.7	-3.8	5.5	5.8	5.4
Investment Income	60.1	48.7	36.8	88.3	-19.0	-24.4	22.7	21.4	15.5
Total Revenue	264.4	227.3	236.9	13.5	-14.0	4.2	100.0	100.0	100.0

Source: MoF/AmBank Research



Table 4: Operating Expenditure

	(RM'bil)				(y/y %)			(% Share)		
	2018	2019	2020(est)	2021(f)	2019	2020(est)	2021(f)	2019	2020(est)	2021(f)
Emoluments	80.0	80.5	82.6	84.5	0.7	2.6	2.3	30.6	36.5	35.7
Pension and Gratuities	25.2	25.9	27.1	27.6	2.8	4.5	2.0	9.8	11.9	11.7
Debt Service Charges	30.5	32.9	34.9	39.0	7.8	6.1	11.6	12.5	15.4	16.5
Grants and Transfers to State Government	7.6	7.6	7.7	7.7	0.0	1.3	0.0	2.9	3.4	3.3
Supplies and Services	35.3	31.5	30.1	32.8	-10.7	-4.5	8.9	12.0	13.3	13.9
Subsidies	27.5	23.9	20.1	18.9	-13.1	-15.7	-6.4	9.1	8.9	8.0
Asset Acquisition	0.4	0.8	0.7	0.5	72.2	-15.6	-16.6	0.3	0.3	0.2
Refunds and write-offs	0.9	0.9	1.0	0.5	0.0	11.1	-50.0	0.3	0.4	0.2
Grants to statutory bodies	30.9	13.8	14.0	15.4	-55.3	1.4	10.0	5.2	6.2	6.5
Others	9.8	45.6	8.4	9.6	365.3	-81.6	14.3	17.3	3.7	4.1
Total OPEX	231.0	263.3	226.7	236.5	14.0	-13.9	4.3	100.0	100.0	100.0

Source: MoF/AmBank Research

Table 5: Development Expenditure

	(RM'bil)				(y/y %)			(% Share)		
	2018	2019	2020(est)	2021(f)	2019	2020(est)	2021(f)	2019	2020(est)	2021(f)
Economic	36.1	31.3	28.5	38.9	-13.3	-8.8	36.3	57.8	57.1	56.3
Transport	17.0	13.7	10.2	15.0	-19.1	-25.9	47.5	25.4	20.4	21.8
Trade and Industry	2.5	3.1	2.4	3.1	21.6	-20.2	28.0	5.6	4.9	4.5
Public Utilities	2.3	2.8	3.6	3.3	22.4	29.9	-7.1	5.1	7.2	4.8
Agri & Rural Dev	2.1	2.3	3.0	2.9	8.5	30.4	-4.0	4.3	6.0	4.2
Others	12.2	9.4	9.3	14.5	-22.8	-1.3	55.9	17.4	18.6	21.0
Social Services	12.9	14.5	13.1	18.4	12.5	-9.8	40.7	26.7	26.1	26.6
Education	6.5	7.6	5.9	8.9	17.3	-23.0	51.1	14.1	11.7	12.9
Housing	1.3	2.1	1.5	1.8	65.4	-29.9	23.0	3.9	3.0	2.7
Health	1.8	1.8	2.9	4.7	3.1	57.8	63.9	3.4	5.8	6.8
Defence & Security	4.9	5.6	5.6	7.8	13.9	-1.0	40.0	10.4	11.1	11.3
General Administration	2.2	2.8	2.9	4.0	26.7	3.0	38.6	5.1	5.7	5.7
Total Dev. Exp.	56.1	54.2	50.0	69.0	-3.4	-7.7	38.0	100.0	100.0	100.0

Source: MoF/AmBank Research

**Table 6: Real GDP Outlook (%y/y)**

	2019	1H2020	2020(est)	2021(f)
Real GDP	4.3	-8.3	-4.5	6.5 - 7.5
Services	6.1	-6.7	-3.7	7.0
Manufacturing	3.8	-8.7	-3.0	7.0
Mining	-2.0	-11.0	-7.8	4.1
Agriculture	2.0	-3.9	-1.2	4.7
Construction	0.1	-25.9	-18.7	13.9
Domestic Demand	4.3	-7.7	-3.0	6.9
Private Consumption	7.6	-6.0	-0.7	7.1
Public Consumption	2.0	3.6	1.6	2.0
Gross Fixed Capital Formation	-2.1	-17.3	-11.1	9.5
Private Investment	1.6	-15.2	-11.7	6.7
Public Investment	-10.8	-24.2	-9.3	16.9
Net External Demand	9.7	-37.7	-24.9	4.1
Exports of Goods & Services	-1.1	-14.4	-13.4	8.7
Imports of Goods & Services	-2.3	-11.2	-11.9	9.2

Source: MoF/AmBank Research

Table 7: Services Sector Performance 2019-2021 (at constant 2015 prices)

	(y/y %)		
	2019	2020(est)	2021(f)
Wholesale and Retail trade	6.7	-6.1	8.5
Finance and Insurance	4.6	-0.1	5.5
Information and Communication	6.6	6.4	7.9
Real Estate and Business Services	7.8	-11.6	7.6
Transportation and Storage	6.8	-11.9	7.5
Food & Beverages and Accommodation	9.6	-13.3	10.7
Utilities	5.0	1.7	5.7
Other Services	5.5	-8.1	6.2
Government Services	3.7	4.0	3.7
Services	6.1	-3.7	7.0

Source: MoF/AmBank Research



Table 8(i): Supply and Demand Side

Sector/ Sub-sector	2021f (% y/y)	Remarks
Supply-side		
Manufacturing	7.0	Expected to benefit from the steady improvement in both the exports- and domestic-oriented industries. The E&E segment will spearhead growth, moving in tandem with the rising digital transformation as WFH (work from home) and virtual communication become a new normal in business industries. Besides, higher demand for semiconductor products such as integrated circuits, memory and microchips will act as a catalyst to the sector.
Agriculture	4.7	Will enjoy growth from the higher production of palm oil and rubber following improvements in global demand, particularly from China and India. Livestock, other agriculture and fishing productions are to strengthen from the government's initiatives to modernize the agro-food subsector. These include the integration of agriculture technologies i.e. agro-robotic, sensor, precision farming, drones, agriculture data development and IoT applications. Emphasis will also be placed on the vision to increase domestic food production with the aim to ensure food security. Rubber would benefit from the surge in global demand for natural rubber.
Construction/ Infrastructure	13.9	The resumption and revival of major infrastructure projects like the Klang Valley Mass Rapid Transit 2 (MRT2), Light Rail Transit 3 (LRT3), West Coast Expressway, Bayan Lepas Light Rail Transit as well as the Pan Borneo and coastal highways. In addition, several key projects will also be continued such as Rapid Transit System Link from Johor Bahru to Woodlands, Singapore and MRT3 in Klang Valley. The government also indicated to continue High Speed Rail (HSR) project albeit subject to further negotiation with Singapore.
Mining	4.1	Will see a positive impact on the mining sector. Brent crude oil price is expected to average US\$42 per barrel versus US\$40–45 per barrel in 2020. Looking at the medium-term framework, the government has downwardly revised its oil production outlook to 580K barrels day from 2021 to 2023 versus the previous estimate of 600K barrels per day
Wholesale and retail trade (WRTS)	8.5	Benefiting from the food-related industries while the retail segment will be supported by the expansion in e-commerce activities. The motor vehicle segment will be underpinned by new marques amid higher disposable income
Information and communication technology (ICT)	7.9	Supported by the higher usage of the internet following the demand for WFH activities, virtual communication and online businesses. Also, the rolling out of the 5G spectrum will add impetus to the sector as it will enhance e-commerce and e-learning activities
Finance and insurance	5.5	Benefit from the normalization of loan repayment and sustained lending activities amid stronger domestic demand. The promotion of innovative and risk-based pricing in motor and fire insurance will add some colour to the sector. The key lookout in 2021 would be the launching of the Financial Sector Blueprint 2021–2025
Real estate and business services	7.6	Set to benefit from the economic recovery, resumption of delayed infrastructure projects, exemption of real property gains tax, launching of the National Affordable Housing Policy and Rent-to-Own scheme, extension of the Youth Housing Scheme and Home Ownership Campaign. Separately, higher demand for construction-related services would drive the business services segment

Source: MoF/AmBank Research

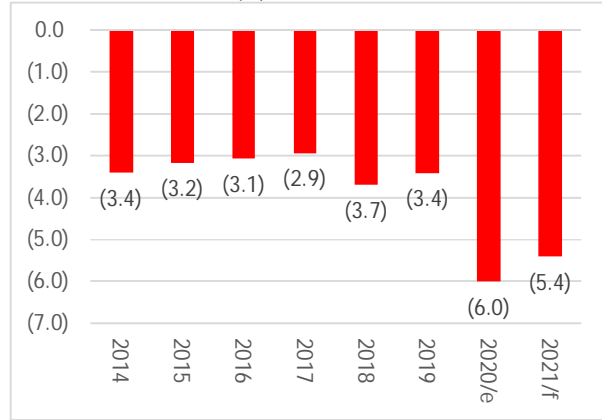


Table 8(ii): Supply and Demand Side

Sector/ Sub-sector	2021f (% y/y)	Remarks
Transportation and storage	7.5	Primarily supported by the operations of new highways e.g. the Setiawangsa-Pantai Expressway, Damansara-Shah Alam Elevated Expressway and the partial alignment of the Pan Borneo Highway and the launching of seven sets of four-car trains for the KL Monorail to increase daily ridership. Also, the air and water transport is expected to recover gradually following the pick-up in domestic passenger traffic, cargo movement; and as global maritime trade recovers
Food, beverages and accommodation	10.7	Buoyed by domestic tourism-related activities with tax exemptions on tourism and accommodation services; extension of income tax relief of up to RM1,000 on domestic travel services; attractive tourism packages; implementation of the Reciprocal Green Lane and Periodic Commuting Arrangement between Malaysia and Singapore (for business purposes); and the government's effort to promote travel bubbles
Utilities	5.7	Boosted by the higher usage from the industrial segment's economic activities, and the implementation of renewable energy projects and the Rural Electricity Supply Programme
Other services	6.2	Will be aided by the aggressive branding and digital marketing for health tourism in targeted countries such as Cambodia, China, Indonesia and Myanmar
Demand-side		
Private consumption	7.1	Better domestic economic activities, exports earnings, conducive financing condition, improving job creation activities, the extension of cash assistance and improving disposable income will act as a formidable support for spending activities. Spending will also be supported by the recovery in the tourism-related industries following tax incentives on domestic tourism expenses. The rapid adoption of digitalization, a broader availability of various e-commerce platforms, and the rollout of 5G technology will facilitate spending and economic activities.
Private investment	6.7	The segment will depend on establishment of funds to support digitalization, assistance to sustain businesses including micro-entreprises and SMEs as well as attracting FDIs, added with spill-over effects from fiscal injection
Public investment	16.9	Implementation of investment in high multiplier impact areas, bridging urban-rural gap and upgrading of digitalization-related activities will gradually improve public investment as well as living standards of the people.
Exports	8.7	Expected to rebound with manufacturing goods – improved demand for E&E and non-E&E products. Agriculture goods are projected to expand led by increase demand in palm-oil and palm oil-based products, and natural rubber. Exports earnings from mining goods are projected to recover contributed by healthier demand from crude petroleum and LNG markets.
Imports	9.2	To expand across the board – intermediate goods, mainly attributed to the expansion of manufacturing and construction sectors; capital goods, following improvement in investment activities and continuation of strategic projects; as well as consumption goods, boosted by higher demand from household as consumers' confidence improves and income increases

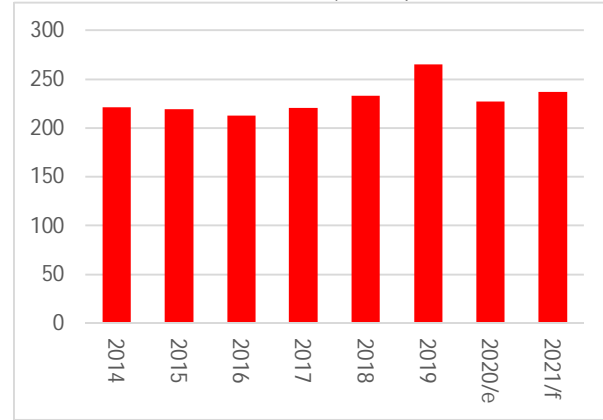
Source: MoF/AmBank Research

Chart 1: Fiscal Deficit (% GDP)



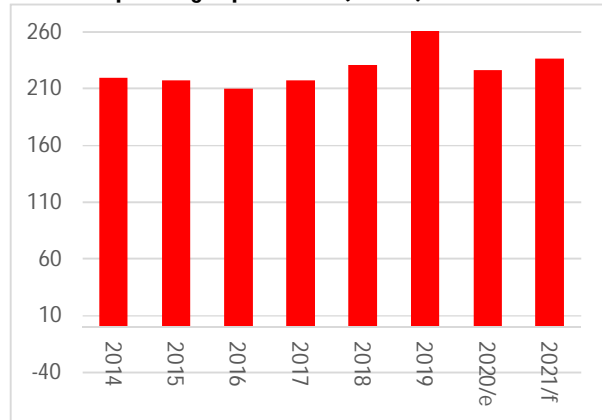
Source: CEIC/MoF/AmBank Research

Chart 2: Government revenue (RM'bil)



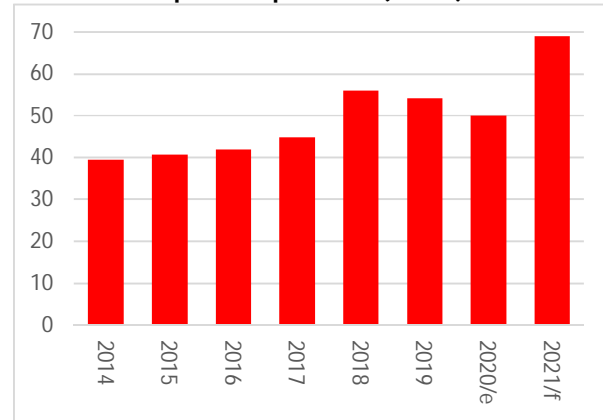
Source: CEIC/MoF/AmBank Research

Chart 3: Operating Expenditure (RM'bil)



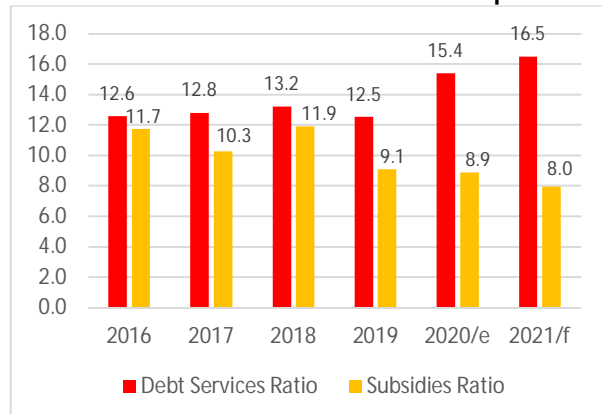
Source: CEIC/MoF/AmBank Research

Chart 4: Development Expenditure (RM'bil)



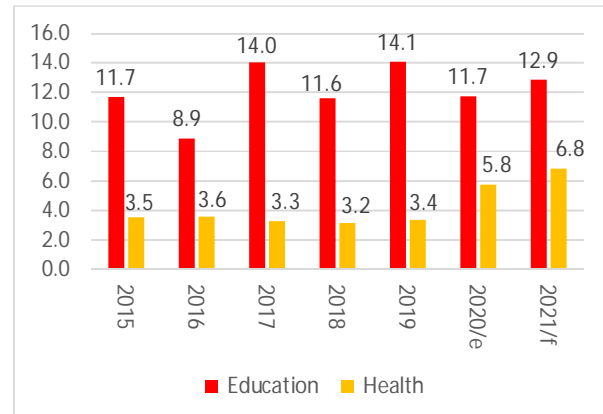
Source: CEIC/MoF/AmBank Research

Chart 5: Debt Services and Subsidies Ratio % Opex



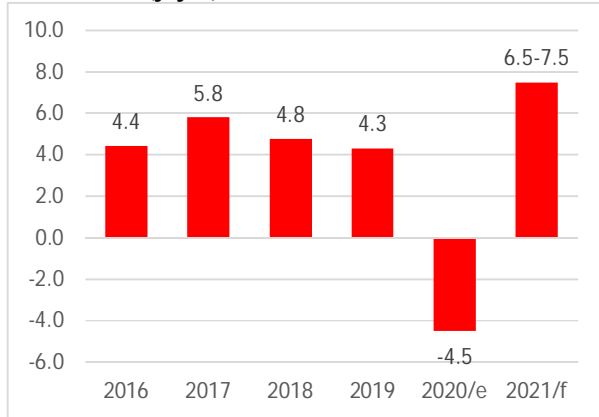
Source: CEIC/MoF/AmBank Research

Chart 6: Education and Health in % of DE



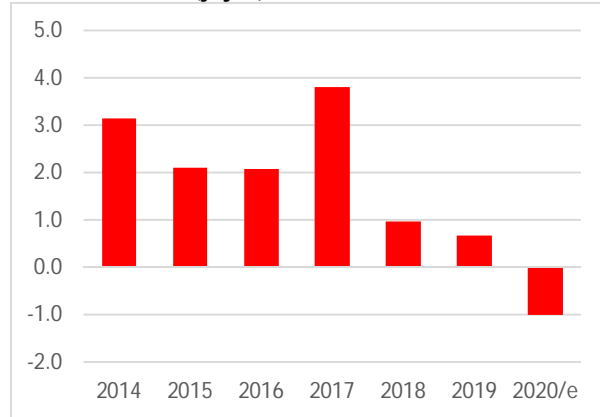
Source: CEIC/MoF/AmBank Research

Chart 7: GDP (y/y %)



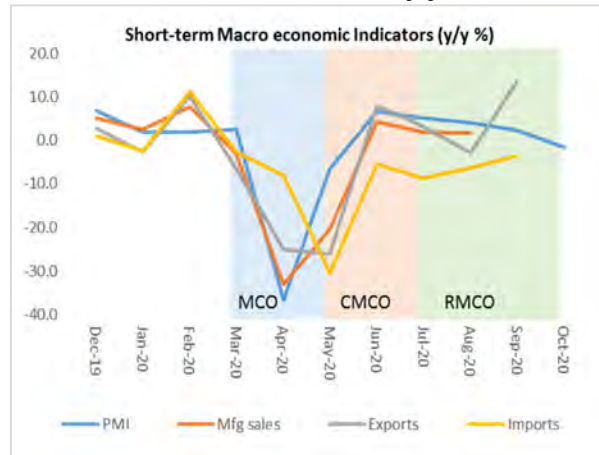
Source: CEIC/MoF/AmBank Research

Chart 8: Inflation (y/y %)



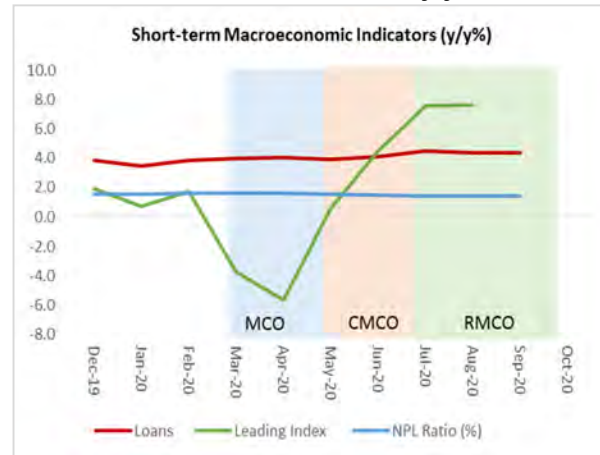
Source: CEIC/MoF/AmBank Research

Chart 9: Short-term Macro Indicators (y/y %)



Source: CEIC/MoF/AmBank Research

Chart 10: Short-term Macro Indicators (y/y %)



Source: CEIC/MoF/AmBank Research

**Appendix****1A: Health**

Measures to protect public health	Allocation (RM'mil)
<ul style="list-style-type: none"> Allocation to manage/contain 3rd wave of Covid-19 	1,000
<ul style="list-style-type: none"> <ul style="list-style-type: none"> RM475 mil for the purchase of reagent, test kits, & consumables for Ministry of Health's (MOH) usage 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> RM318 mil to provide PPE and hand sanitisers to MOH front liners 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> RM150 mil to the National Disaster Management Agency to coordinate efforts to fight COVID-19; 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> RM50 mil for the purchase of equipment, laboratory test supplies, and medicine for university teaching hospitals 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Procure equipment required to resume dental services, virtual clinical services, and preparation of preliminary zone facilities and thermometers at health facilities to meet the Standard Operating Procedures (SOP). 	
<ul style="list-style-type: none"> One-off payment RM500 in appreciation of the contribution by the MOH frontliners (beneficiaries = 100K medical staff) 	50
<ul style="list-style-type: none"> Covid-19 vaccine supply allocation (COVAX) 	3,000
<ul style="list-style-type: none"> Tax relief scope for medical treatment expenses covering vaccination expenses such as pneumococcal, influenza and COVID-19 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> increase the tax relief limit on medical expenses for self, spouse and child for serious diseases from RM6,000 to RM8,000 and tax relief limit for expenses on full medical check-up from RM500 to RM1,000. 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> limit of tax relief on expenses for medical treatment, special needs and parental care is also increased from RM5,000 to RM8,000 	
<ul style="list-style-type: none"> Mental Health, Violence and Injury Prevention, and Substance Abuse Programmes (MOH's Psychosocial Helpline) 	24
<ul style="list-style-type: none"> Broaden the mySalam's coverage to medical devices such as heart stent or prosthesis 	
<ul style="list-style-type: none"> Continue the pneumococcal vaccine programme for children. Beneficiaries 500K children annually; & procurement of biologic medicine for various rheumatology illnesses such as Rheumatoid Arthritis 	96
<ul style="list-style-type: none"> Home-based Peritoneal Dialysis treatment programme to enhance the quality of life for kidney patients 	25
<ul style="list-style-type: none"> Malaysia National Healthy Agenda 	28
<ul style="list-style-type: none"> Proceeds of the Sukuk PRIHATIN for the conduct of research relating to infectious diseases covering vaccine development as well as treatment research and diagnostics 	100
<ul style="list-style-type: none"> Contribution from Top Glove, Hartalega, Supermax and Kossan to help fight Covid-19, which includes partially covering the cost of the COVID-19 vaccine as well as expenses for health equipment 	400

Source: MoF/AmBank Research

Cont'

**2A: Social Protection**

Social Protection	Allocation (RM'mil)
<ul style="list-style-type: none"> • Improving Financial Assistance - beneficiaries ≥ 400K people 	2,200
<ul style="list-style-type: none"> ▪ Person with disabilities (OKU) who are Incapable of work, from RM250 to RM300 	
<ul style="list-style-type: none"> ▪ Older persons, carers of bedridden disabled person (OKU) and chronically ill patient, from RM350 to RM500 	
<ul style="list-style-type: none"> ▪ Disabled Workers, from RM400 to RM450 	
<ul style="list-style-type: none"> ▪ Children, from RM100/child with a maximum of RM450 ringgit/family, to RM150/child aged seven years to 18 years, or RM200/child aged six years and below with a maximum of RM1,000/family. 	
<ul style="list-style-type: none"> • Bantuan Sara Hidup (BSH) replaced with Bantuan Prihatin Rakyat (BPR); beneficiaries ≥ 8.1 million people 	6,500
<ul style="list-style-type: none"> ▪ Families with monthly household income of ≤ RM2,500 and has up to one child will receive RM1,200, while households with two or more children will receive RM1,800 	
<ul style="list-style-type: none"> ▪ Families with monthly household income between RM2,501 to RM4,000 and one child, will receive RM800, while households with two or more children will receive RM1,200 	
<ul style="list-style-type: none"> ▪ Families with monthly household income between RM4,001 to RM5,000 will receive RM500 ringgit for those with up to one child, and RM750 for households with two or more children 	
<ul style="list-style-type: none"> ▪ Single individuals earning ≤ RM2,500 will receive RM350; the age limit eligibility for this group has been lowered to 21 years, from 40 years 	
<ul style="list-style-type: none"> • Jaringan PRIHATIN Programme to help assist B40 group to access internet services; beneficiaries ≥ 8 million in the B40 group 	1,500
<ul style="list-style-type: none"> • Community Drumming Programme; beneficiaries ≥ 1.1 million people to access basic goods i.e. rice, sugar, flour, cooking oil, LPG gas, RON95 petrol and diesel at regulated prices 	150 to 200
<ul style="list-style-type: none"> • Expand the social protection for the B40 group via Perlindungan Tenang Voucher Programme - RM50 voucher to purchase Perlindungan Tenang products i.e. life takaful and personal accident; Government will also extend the stamp duty exemption period on all Perlindungan Tenang products 	

Source: MoF/AmBank Research

**3A: Education**

Incentives for Education	Allocation (RM'mil)
• Access to quality education to Bumiputera institutions	6,500
• Early childhood education programmes by the KEMAS.	170
• GLCs and GLICs will contribute into the Tabung CERDIK to provide laptops	150
• Supplementary Meal Plan	420
• Maintenance and repair of Government Schools and Government Aided Schools	800
• Upgrade buildings and infrastructure in 50 dilapidated schools	725
• Special needs stream	45
• Allocated for the MOHE	14,400
• Upgrade the Malaysian Research & Education Network	50
• Finance the BSN MyRinggit-i COMSIS Scheme which is a laptop loan scheme	100
• Strengthen TVET	6,000
• Increase the National Dual Training System Plus allowance	60
• R&D for the development of science & technology	400
• Malaysia Techlympics and Science Space programme	20

Source: MoF/AmBank Research

4A: Alleviating Rakyat's Cost of Living

Alleviate Rakyat Cost of Living	Allocation (RM'mil)
• Income tax reduction for resident individuals which will be reduced by 1% for the chargeable income band of RM50,001 to RM70,000; beneficiaries = 1.4 million taxpayers	
• Targeted Loan Repayment Assistancer for BPR recipient& micro enterprises with loans up too RM150K	
▪ Option 1: A moratorium on their instalments for a period of 3 months	
▪ Option 2: Reduce their monthly repayment by 50% for a period of 6 months	
▪ M40 borrowers would only need to make a self-declaration of the reduction in income in order to secure the repayment assistance	
• Minimum employee EPF contribution rate is reduced from 11% to 9%, beginning January 2021 for a period of 12 months	9,300
• Targeted EPF Account 1 withdrawal for individuals who lost their jobs; RM500/month over 12 months - beneficiaries 600K individuals. Taking into account both iLestari and Account 1 withdrawal facility, the total allowed withdrawal will be up to RM12K	4,000
• e-Belia Programme -one-off RM50 e-wallet credit transfer for those aged 18 - 20. Beneficiaries ≥ 1.5 mil youths	75
• My30 unlimited travel pass initiative. continued and expanded to Kuantan and Penang	300
• Unlimited monthly travel pass for as low as RM5 will be introduced for children in Year 1 to Form 6 to commute to school	

Source: MoF/AmBank Research

Cont'

**5A: Labour Market**

Incentives to encourage job creation activity	Allocation (RM'mil)
<ul style="list-style-type: none"> Job Search Allowance will be extended by 3 months and the rate will be 80% in the first month, 50% for the 2nd to 6th month and 30% for the last three months. Beneficiaries = 130K people 	150
<ul style="list-style-type: none"> Income tax exemption limit for compensation for loss of employment be increased from RM10K to RM20K 	
<ul style="list-style-type: none"> Skim Jaminan Penajaan Pekerjaan (JanaKerja), which will provide 500 thousand new job opportunities including skills development and retraining programmes 	3,700
<ul style="list-style-type: none"> PenjanaKerjaya incentives to benefit 200K jobseekers <ul style="list-style-type: none"> Incentive for employees earning \geq RM1,500 will be enhanced from a RM800/month to 40% of monthly income - max RM4,000 Incentives for the disabled, long-term unemployed, and retrenched workers, employers will be given an additional incentive equivalent to 20% of the employee's monthly income making the total incentive to employers' amount to 60% Sectors with a high reliance on foreign workers i.e. construction & plantations, a special incentive of 60% of monthly wages will be provided whereby 40% will be channelled to the employer while 20% will be channelled as a wage top up to the local worker replacing the foreign worker For those under the PenjanaKerjaya, the max training rate which can be claimed by employers will be increased from RM4,000 to RM7,000 to enable workers to take up high skilled training and professional certifications 	2,000
<ul style="list-style-type: none"> Formation of a National Employment Council - will be chaired by YAB Prime Minister 	
<ul style="list-style-type: none"> Reskilling and upskilling programme. Beneficiaries = 200K trainees <ul style="list-style-type: none"> RM150 mil will be allocated for the Ministry of Higher Education professional certification (KPT-PACE) whereby fresh graduates will each be eligible for a voucher worth RM3,000 to pursue a professional certification course at public or private universities. Beneficiaries = 50K graduates RM100 mil to the Human Resources Development Fund (HRDF) to implement trainings in collaboration with private-sector employers RM100 mil ringgit to MDEC to transition existing workforce to fill the growing needs in the ICT industry RM100 mil to regional corridor authorities, mainly IRDA and SEDIA to provide new skills training to workers badly affected by the closure of borders to foreign tourists, in order to assist them in securing new employment or source of income RM30 mil to PERHEBAT for entrepreneurship training programmes that will benefit 12 thousand veterans of the Malaysian Armed Forces 	1,000
<ul style="list-style-type: none"> MySTEP/Short-term Employment Programme. Beneficiaries = 50K on a contract basis in the public sector and Government Linked Companies (GLC) starting January 2021 <ul style="list-style-type: none"> 35K job opportunities will be offered in the public sector, with priority to fill up positions such as nurses, medical attendants, social welfare officers and temporary teachers 	\geq RM700
<ul style="list-style-type: none"> Targeted Wage Subsidy for 3 months, specifically for tourism and retail sector. RM600/month for workers earning \leq RM4,000. Application limit will be increased to 500 employees/company from 200. Beneficiaries = 70K employers & 900K employees. 	15,000
<ul style="list-style-type: none"> Incentive of RM1,000/month for up to 3 months to private employers for each new graduate who participates in the apprenticeship programme. Employers can also claim a grant of up to RM4,000 for training programmes. Beneficiaries = 50K new graduates 	250
<ul style="list-style-type: none"> Training and placements for 8,000 employees of airline companies 	50
<ul style="list-style-type: none"> Employment opportunities for 500 people in the local and Orang Asli communities as tour guides at all national parks to boost the ecotourism segment 	
<ul style="list-style-type: none"> Exemption from the HRDF levies will be given for 6 months effective 1 January 2021. The exemption will cover the tourism sector and companies affected by the COVID-19 crisis. 	

Source: MoF/AmBank Research

Cont'

**6A: Business – Construction**

Construction/ Infrastructure	Allocation (RM'mil)
• Financing access to construction contractors under the Skim Pembiayaan Kontrak Ekspres, SPIKE	50
• Implementation of several large new projects	3,800
• Development projects for five regional corridors of economic development	780
• Implementation of various rural infrastructure improvement programmes and projects	2,700
▪ RM1.3bil to implement rural and inter-village road projects	
▪ RM632mil allocated for rural and alternative water supply	
▪ RM250mil provided for rural electricity supply	
▪ RM55mil for the Home Assistance Programme to the poor which is building new houses and repairing homes	
▪ RM121mil to install lamps as well as to cover operational and maintenance costs	
• Allocated to fund the Pan Borneo Highway, Gemas-Johor Bahru Electrified Double-Tracking Electrified Project and Klang Valley Double Tracking Project Phase One. In addition, several key projects will also be continued such as Rapid Transit System Link from Johor Bahru to Woodlands, Singapore and MRT3 in Klang Valley.	15,000
• Sabah's Development Expenditure	5,100
• Sarawak's Development Expenditure	4,500
• Upgrade infrastructure and information and communication technology facilities in the Ministry of Foreign Affairs as well as digitalisation of the Malaysian consular services abroad	14
• Allocation for the Raw Water Transfer Project from Sungai Kesang and Tasik Biru to the Jus Reservoir, Jasin , Melaka	150
• EPF will continue the development of Kwasa Damansara	50,000
• Allocation for contractors in Class G1 to G4 to carry out small and medium projects across the country	2,500
• Nationwide build, upgrade and maintain sports facilities	103
• Maintenance and repair of tourism facilities	50

Source: MoF/AmBank Research

Cont'

**6B: Business – Property**

Priorities for first home buyers	Allocation (RM'mil)
<ul style="list-style-type: none"> Full stamp duty exemption on instruments of transfer and loan agreement for first time home buyers is extended until 31 December 2025. The limit of duty stamp for first residential home is also increased up to RM500,000. This exemption is effective for sale and purchase agreement executed from 1 Jan 2021 to 31 Dec 2025 	
<ul style="list-style-type: none"> Stamp duty exemption on loan agreements and instruments of transfer given to rescuing contractors and the original house purchasers is extended for another 5 years 	
<ul style="list-style-type: none"> Comfortable and quality housing, especially for the low-income group 	1,200
<ul style="list-style-type: none"> <ul style="list-style-type: none"> RM500mil to build 14 thousand low cost housing units under the Program Perumahan Rakyat 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> RM315mil for the construction of 3,000 units of Rumah Mesra Rakyat by Syarikat Perumahan Nasional Berhad 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> RM310mil for the Malaysia Civil Servants Housing Programme (PPAM) 	
<ul style="list-style-type: none"> Collaborate with selected financial institutions to provide a Rent-to-Own Scheme 	1,000

Source: MoF/AmBank Research

6C: Agriculture Sector

Agriculture Sector	Allocation RM'mil
<ul style="list-style-type: none"> Rubber Production Incentive. Beneficiaries = 150K rubber smallholders 	300
<ul style="list-style-type: none"> Subsidy, aid and incentive to farmers and fishermen. Beneficiaries = 300K paddy farmers 	1,700
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Paddy price subsidy of RM570 million 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Subsidy and incentive for paddy crop of RM960 million 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Subsidy for Padi Bukit fertilizers of RM40 million 	
<ul style="list-style-type: none"> Allowance for fishermen will be increased from RM250 to RM300 /month. Beneficiaries = 40K fisherman 	151
<ul style="list-style-type: none"> Write-off the interest on the settlers' debt for FELDA settlers and development programmes 	400
<ul style="list-style-type: none"> Extension of the Community Farming Programme. RM500/individual or RM50K/community. Beneficiaries = 60K participants 	30
<ul style="list-style-type: none"> Implementation of the Organic Agriculture Project; Beneficiaries = 1,000 communities 	50
<ul style="list-style-type: none"> Implementation of the e-Satellite Farm Programme in the form of matching grants up to RM30K to the Pertubuhan Peladang Kawasan (PPK) for the purpose of purchasing agriculture equipment based on the Internet of Things including drones. Beneficiaries = 300 PPK 	10
<ul style="list-style-type: none"> Financing under the Vessel Modernization and Capture Mechanization Programme of up to RM5 mil at a rate of 3.5% for a period of 10 years to fishermen in zones A and B to upgrade equipment, nets and boat 	150
<ul style="list-style-type: none"> Funding under the Agrofood Value Chain Modernization Programme of up to RM1 mil at a rate of 3.5% for a period of 10 years for agricultural entrepreneurs to procure equipment and technology based on IR4.0 	60
<ul style="list-style-type: none"> Implementation of Aquaculture Development Programme through matching grants of up to RM20K for micro entrepreneurs to purchase equipment to develop high-value aquaculture livestock i.e. lobster and grouper 	10
<ul style="list-style-type: none"> High-value farming projects through collaboration with state governments such as pineapple farming in Johor and freshwater prawns in Negeri Sembilan 	100
<ul style="list-style-type: none"> Malaysian Sustainable Palm Oil Certification or MSPO 	50
<ul style="list-style-type: none"> Incentive for latex production 	16
<ul style="list-style-type: none"> Forest Plantation Development Loan (PPLH) programme 	500

Source: MoF/AmBank Research

Cont'

**6D: General Business & Digitalization**

Business & Digitalisation	Allocation (RM'mil)
• Special tax rates to selected manufacturing companies which relocated their businesses to Malaysia and bring in new investments	
• Training programmed for Women Entrepreneurs Micro Entrepreneurs Business Development Programmes, BizMe	
• Empower bumiputera entrepreneurs	4,600
▪ Purpose of financing bumiputera SMEs and micro SMEs through TEKUN and PUNB	510
▪ Capacity building programmes by Bank Pembangunan Malaysia and SME Bank	800
▪ Assist the financing of Bumiputera SMEs through Syarikat Jaminan Pembiayaan Perniagaan (SJPP)	2,000
▪ Various capacity building programmes, including professional development, Dana Kemakmuran Bumiputera as well as specific programmes or projects specifically for bumiputeras	1,300
• R&D investment in aerospace and electronic clusters such as in Batu Kawan, Penang and Kulim, Kedah industrial parks	1,000
• High Technology Fund to support high technology and innovative companies to enhance the competitiveness in the global supply chain and protect high skilled jobs	500
• National Development Scheme to support the implementation and development of domestic supply chain and increase the production of local products such as medical devices.	1,400
• Maritime Development and Logistics Scheme; Sustainable Development Financing Scheme; Tourism Infrastructure Scheme; and Public Transport Fund	3,700
• Targeted Assistance and Rehabilitation facility under BNM	2,000
• Automation and Digitalisation Grants for SMEs	150
• Lestari Bumi Scheme via SME Bank	300
• Micro credit financing via TEKUN, PUNB, Agrobank, BSN and other institutions	1,200
• Micro Franchise Development and Affordable Franchise programmes as well as Buy Made in Malaysia programme	25
• Training programmes and sales assistance as well as digital equipment to encourage adoption of e-commerce under the e-Commerce SME and Micro SME Campaign	150
• Implementation of Shop Malaysia Online	150
• Promote local made product under the Trade and Investment Mission	35
• Assist the financial position of SMEs that supply to the Government or GLCs - introducing the National Supply Chain Finance Platform (JanaNiaga)	300
• Peer-to-peer financing or P2P under the supervision of the Securities Commission Malaysia (SC)	300
• Financing to SMEs for working capital, upgrading of automation systems and equipment and expenditure related to the implementation of Covid-19 SOP compliance via PUNB	230



Business & Digitalisation	Allocation (RM'mil)
• Preferential tax rate of 0 to 10% for 10 years to manufacturers of pharmaceutical products	
• Grant Khas Prihatin of RM1,000 will be given to 20,000 traders and hawkers in Sabah	
• Danajamin Prihatin Guarantee Scheme for corporate companies involved in high skilled industries	3,000
• Green Technology Financing Scheme 3.0 for two years up to 2022	2,000
• BPMB has provided the Industrial Digitalization Transformation Scheme	1,000
• Allocation to the Malaysian Global Innovation and Creativity Center (MaGIC) and selected agencies	20
• Matching grants to be invested on ECF platforms under the supervision of the SC	30
• Increase Syarikat Jaminan Pembiayaan Perniagaan guarantee by up to another RM10bil	
• iTEKAD program will be expanded with participation of additional financial institutions and collaboration with more state religious authorities and delivery partners in 2021	
• Stage Bus Service Transformation Programme	150
• Sales tax exemption for the purchase of locally assembled bus including air conditioner will be extended for a period of two years effective from 1 Jan 2021 until 31 Dec 2022.	
• To open furniture industrial park in Pagoh	
• Malaysia Healthcare Travel Council to enhance the competitiveness of the local health tourism industry	35
• Grant Khas Prihatin of RM1,000 that will be given to 20,000 traders and hawkers in Sabah. This grant will also be given to taxi drivers, e-hailing, rental cars and tour drivers in Sabah	

Source: MoF/AmBank Research

Cont'

7A: Defence & Security

Defending the Nation's Sovereignty and Security	Allocation (RM'mil)
• Ministry of Defence	16,000
• Ministry of Home Affairs	17,000
• Maintenance for Malaysian Armed Forces	2,300
• CyberSecurity Malaysia	27
• Maintain the facilities of the existing Rumah Keluarga Angkatan Tentera (RKAT) and approved construction for new 1000 units	500
• Upgrading facilities at the training centres to strengthen the role of RELA	153

Source: MoF/AmBank Research



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