



**FOR IMMEDIATE RELEASE**

**MIDF'S REVIEW OF BUDGET 2023**

***Kuala Lumpur, 24 February 2023*** – Budget 2023 was tabled against a backdrop of expected slower global economic growth arising from stubborn inflationary pressures, continued tightening of monetary policies of central banks across the world, and ongoing geopolitical tensions. Hence, Budget 2023 aims to tackle the issues of cost of living, while reforming Malaysia's economy for more inclusive growth including strengthening the country's environmental, social and governance (ESG) agenda.

The Government is projecting Malaysia's economy to moderate in 2023. Gross domestic product (GDP) is forecasted to grow by 4.5% from the 8.7% recorded in 2022. MIDF Research expects that the economy will face external headwinds this year but will be supported by robust domestic demand and the faster than expected reopening of China. In addition, we opine that the economic growth of Malaysia can be seen as normalising in absence of any base effect. For 2023, we maintain our forecast of 4.2% growth.

MIDF Research opines that Budget 2023 aims to provide support to the Rakyat to safeguard the continued well-being of the vulnerable segments in light of issues pertaining to the high cost of living and spur income growth. For example, measures relating to food security, public-private partnership on technical and vocational education and training (TVET), and reduction in personal income tax rate by 2 percentage points for those with taxable income between RM50,000 to RM100,000 can be seen as evidence of this.



MIDF Research believes that the efforts to increase high-impact investments and foreign direct investments (FDI) via various incentives such as relocation incentives to attract affected electrical and electronic (E&E) sector investors and incentives for the aerospace industry are commendable. Measures focusing on science, technology, and innovation can be seen as necessary to ensure that Malaysia's economy remains competitive. Meanwhile, measures to strengthen the country's ESG agenda such as promoting green practices in business including providing funding for small and medium enterprises (SMEs) to adopt low-carbon practices and Green Tech Funding Scheme is to ensure that Malaysia's economic growth remains sustainable for future generations.

For the capital market, MIDF Research believes that the proposed capital gains tax on the disposal of non-listed shares may attract more listings in the local bourse, at the granular level. Moreover, the Securities Commission (SC) would facilitate more secondary markets for private market instruments to improve liquidity and enable better price discovery. Additionally, the issuance of dual-class shares would be permitted in order to encourage the listings of local high-growth technology companies. In our view, these measures may act as catalysts that would help to reinvigorate the local capital market.

It was not surprising that the Budget remains expansionary. However, we were pleasantly surprised by the significant increase in gross Development Expenditure (DE) to RM97 billion from RM71.6 billion in 2022. Much of the DE is allocated for the economic sector at RM55.0 billion with the transport subsector receiving the highest allocation with RM17.6 billion. MIDF Research sees the development of the nation's infrastructure as necessary to improve connectivity and spur economic activities.



Commenting on the budget, MIDF Group Managing Director, Dato' Charon Wardini bin Mokhzani said, "Budget 2023 is an inclusive, future-oriented budget that reflects the values of Malaysia MADANI as we work together to build a progressive and prosperous nation while tackling fiscal and inflationary pressures. Initiatives such as the introduction of a public-private partnership model for the TVET space and the allocation of RM250 million to promote Malaysian tourism are set to bring about positive economic returns, with benefits to the larger community.

MIDF looks forward to contributing further to the growth of the nation and its people, having been Malaysia's premier development finance institution since its inception in 1960 and a key Ministry of International Trade and Industry (MITI) agency in developing entrepreneurs and SME businesses, the backbone of Malaysia's economy. Programmes such as Bank Negara Malaysia (BNM) financing facilities for SMEs involved in green / low carbon and digitalisation / automation activities as well as tax deduction for listing expenses on the ACE and LEAP markets will no doubt empower the entrepreneurs and SME participants, accelerate the work we have been doing with them and extend our relationships to include aspiring entrepreneurs as we continue our participation in the development of a robust and sustainable SME ecosystem.

Larger corporate initiatives such as improving the ease of doing business, reducing bureaucracy, as well as the extension of the Green Investment Tax Allowance and Green Income Tax Exemption programmes up to 2025 will make Malaysia more competitive as a business and investment destination, with the added attraction of it being at the forefront of regional sustainability development."

He added, "In line with the Malaysia MADANI concept, MIDF is thrilled to be playing our part in maximising the outcomes as well as economic and social returns the initiatives in Budget 2023 envision and generating lasting value for our stakeholders."

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## **About MIDF**

The MIDF group carries out investment banking, development finance and asset management. It serves entrepreneurs as well as large corporations and institutions.

Malayan Industrial Development Finance Ltd (now MIDF) was established in 1960 following the recommendations of the World Bank on how to finance the industrialisation of Malaya, and over the last 62 years, the MIDF Group has been part of the development and modernization of Malaysia's economy and capital markets.

MIDF is a wholly owned subsidiary of Permodalan Nasional Berhad.

For more information, please contact:

### **Irmawati Mahamad Tahir**

Head, Group Strategic Communications

Ph: (03) 2173 8752

Fax: (03) 2173 8499

HP: (012) 492 3707

Email: [irmawati@midf.com.my](mailto:irmawati@midf.com.my)

### **Imran Yassin Md Yusof**

Director/Head

MIDF Research

Ph: (03) 2173 8395

HP: (012) 709 7341

Email: [imran.yassin@midf.com.my](mailto:imran.yassin@midf.com.my)