

From the Desk
of the
Chief Economist

BANK ISLAM

BUDGET **2022**

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ECONOMIC RESEARCH

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BUDGET 2022

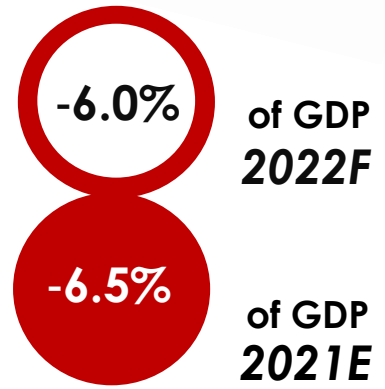


- ✓ Total allocation for Budget 2022 stands at **RM332.1 billion from an estimated RM320.6 in 2021 (Original: RM322.5 billion)**. Total government expenditure is an all-time high which clearly signals that the government is embarking on an expansionary mode to come out of the woods after being impacted by the pandemic.
- ✓ On further scrutiny, the government will introduce the Bantuan Keluarga Malaysia (or BKM) cash assistance in 2022 which will channel assistance of RM2,000 to households earning less than RM2,500 per month with three or more children. This is higher compared to the previous Bantuan Prihatin Rakyat (or BPR) where the highest assistance rate was RM1,800. Aside from that, the government's development expenditure (DE) for 2022 of RM75.6 billion (2021E: RM62.0 billion) shows that the government is serious in rejuvenating the economy whereby this time it will revolve more around digital infrastructure rather than physical infrastructure as there were no new mega projects mentioned.
- ✓ At the same time, the government has made some changes in its taxation system with the main one involving a one-off windfall tax for companies that generate extraordinary profit. As such, the government's tax revenue is forecasted to increase to RM171.4 billion in 2022 compared to an estimated amount of RM161.8 billion in 2021.
- ✓ Overall, it is obvious that the government is trying to strike a balance in rebuilding fiscal buffers for the rainy day and meeting the citizens demand which can stimulate the economy.

RM Billion	2018	2019	2020	2021E	2022F
Revenue	232.9	264.4	225.1	221.0	234.0
%chg	5.7%	13.5%	-14.9%	-1.8%	5.9%
Operating Expenditure	231.0	263.3	224.6	219.6	233.5
%chg	6.1%	14.0%	-14.7%	-2.2%	6.3%
Current Balance	1.9	1.1	0.5	1.4	0.5
%chg	-29.1%	-44.2%	-55.6%	199.3%	-64.1%
Gross Development Expenditure	56.1	54.2	51.4	62.0	75.6
%chg	25.0%	-3.4%	-5.2%	20.7%	21.9%
Less: Loan Recoveries	0.8	1.6	1.3	0.8	0.6
Net Development Expenditure	55.3	52.6	50.1	61.2	75.0
%chg	28.5%	-5.0%	-4.7%	22.2%	22.5%
Covid-19 Fund	-	-	38.00	39.0	23.0
%chg	-	-	-	2.6%	-41.0%
Overall Balance	-53.4	-51.5	-87.6	-98.8	-97.5
% of GDP	-3.7%	-3.4%	-6.2%	-6.5%	-6.0%

Source: Fiscal Outlook 2022

BUDGET DEFICIT



- Revenue** ✓ **Revenue** is expected to recover by 5.9% to RM234.0 billion in 2022 from an estimated RM221.0 billion in 2021 in line with better economic prospects.
- Operating Expenditure (OE)** ✓ Total spending for **OE** is set to be at RM233.5 billion, higher by 6.3% in 2022 (2021E: RM219.6 billion).
- Development Expenditure (DE)** ✓ Significant amount is allocated for **DE**, surging by 21.9% to RM75.6 billion in 2022 (2021E: RM62.0 billion).
- Covid-19 Fund** ✓ Meanwhile, **Covid-19 Fund** is anticipated to decline by 41.0% to RM23.0 billion in 2022 from RM39.0 billion this year, reaching around RM100.0 billion for a 3-year allocation.
- Fiscal Deficits** ✓ Given that, the government is estimated to record a **fiscal deficit** of RM97.5 billion or 6.0% of GDP in 2022 (2021E: -6.5%).

Medium-Term Fiscal Framework (MTFF) 2022-2024:

- Nominal GDP growth averaging 7.7%.
- Crude oil prices at USD67.0 per barrel.
- Average crude oil production of 580,000 barrels per day.

FEDERAL GOVERNMENT REVENUES

RM Billion	2020	2021E	2022F	Change (%)			Share (%)		
				2020	2021E	2022F	2020	2021E	2022F
Tax Revenue	154.4	161.8	171.4	-14.5%	4.8%	5.9%	68.6%	73.2%	73.2%
Direct Tax	112.5	120.0	127.3	-16.5%	6.7%	6.1%	50.0%	54.3%	54.4%
- CITA	50.1	60.6	65.5	-21.5%	21.0%	8.1%	22.2%	27.4%	28.0%
- Individual	39.0	36.4	37.5	0.7%	-6.6%	3.0%	17.3%	16.5%	16.0%
- PITA	12.8	11.5	12.4	-38.5%	-10.0%	7.8%	5.7%	5.2%	5.3%
Indirect Tax	41.9	41.8	44.0	-8.6%	-0.3%	5.4%	18.6%	18.9%	18.8%
- GST/SST	26.8	26.5	27.6	-3.2%	-0.9%	3.9%	11.9%	12.0%	11.8%
- Excise Duties	9.9	9.8	10.2	-6.2%	-1.0%	4.5%	4.4%	4.4%	4.3%
- Import Duty	2.3	2.3	2.5	-14.2%	-0.7%	7.3%	1.0%	1.1%	1.1%
- Export Duty	0.7	1.4	1.6	-33.7%	88.4%	14.5%	0.3%	0.6%	0.7%
Non-tax Revenue	70.7	59.2	62.6	-15.7%	-16.2%	5.8%	31.4%	26.8%	26.8%
Licences and Permits	10.9	10.3	11.0	-24.6%	-6.2%	6.9%	4.9%	4.6%	4.7%
Investment Income	46.1	36.0	39.5	-23.3%	-21.9%	9.6%	20.5%	16.3%	16.9%
Total Revenue	225.1	221.0	234.0	-14.9%	-1.8%	5.9%	100.0%	100.0%	100.0%
Share of GDP (%)	15.9%	14.6%	14.3%						

Source: Fiscal Outlook 2022

- ✓ **Tax revenue** would continue to be the main contributor to total revenue collection in 2022, growing by 5.9% to RM171.4 billion from an estimated of RM161.8 billion this year. This is mainly attributed by the increase in **Direct Tax** (2022F: RM127.3 billion vs. 2021E: RM120.0 billion) due to an anticipation of better corporate earnings prospects, resulting from the acceleration in the vaccination programme and the anticipation of economic recovery.
- ✓ As such, **Company Income Tax (CITA)** which is the major component of direct tax is projected to increase by 8.0% to RM65.4 billion in 2022 (2021E: RM60.6 billion), while **Petroleum Income Tax (PITA)** is expected to recover by 7.8% to RM12.4 billion in 2022 (2021E: RM11.5 billion).
- ✓ Apart from that, **Individual Income Tax** is anticipated to expand by 3.0% to RM37.5 billion in 2022 (2021E: RM36.4 billion) in light of expectations for an improvement in the labour market.

OVERVIEW OF THE CHANGES IN MALAYSIAN TAXES

1 The **rate of stamp duty** on contract note increased from **0.10% to 0.15%**. The stamp duty limit of RM200 for each related contract note is abolished.

2 **Brokerage services** involving trading of shares on Bursa will no longer be subject to service tax.

3 All **foreign income** received in Malaysia will be **taxable from 1 January 2022**.

4 **Low-value goods sold online**, that were imported from abroad and brought into the country through **airmail**, will be subjected to **sales tax**.

5 **Usage of tax identification number (TIN)** IN 2022 to broaden the income tax base.



6 A **service tax** will be imposed on **delivery services** provided by **online marketplaces**. However, food and drinks and logistical services will be exempt from this.

7 The **sugar tax** has been expanded to include premixed **sugary drinks** made from chocolate, malt, coffee and tea.

8 The government has also decided to impose an **excise duty for vapes and electronic cigarettes**.

9 **Special Voluntary Disclosure Program** with a penalty remission incentive of 100.0% for the first phase and a penalty remission of 50.0% for the second phase.

10 Issuance of **Tax Compliance Certificate** as a pre-requisite for companies to participate in government procurement beginning 1 January 2023 .

11 **Tax Expenditure Statement** to improve transparency.

Malaysian Corporate Tax Rate as of the Year of Assessment 2021

Type of company	Tax Rate
✓ Resident company: <ol style="list-style-type: none"> 1) with paid-up capital of RM2.5 million Malaysian ringgit or less, and gross income from businesses of not more than RM50.0 million, 2) that does not control, directly or indirectly, another company that has paid-up capital of more than RM2.5 million, and 3) Is not controlled, directly or indirectly, by another company that has paid-up capital of more than RM2.5 million 	On the first RM600,000 (chargeable income): 17.0% In excess of RM600,000 (chargeable income): 24.0%
✓ Resident company other than criteria described above.	24.0%
✓ Non-resident company.	24.0%

Source: PwC Malaysia

Malaysian Corporate Tax Rate proposed under the one-off special windfall tax or Cukai Makmur for companies with high profits under Budget 2022

Corporate Tax Brackets	Tax Rate
✓ On the first RM100.0 million worth of chargeable income.	24.0%
✓ In excess of RM100.0 million worth of chargeable income.	33.0%

Source: MOF

Our thoughts:

- ✓ The one-off special windfall tax or Cukai Makmur for companies with extraordinary profits under Budget 2022 will enable the government to create some buffer in their coffers to offset the tax incentives offered in many sectors and also cash handouts.
- ✓ For example, the Real Property Gains tax (RPGT) will no longer be imposed on disposal of properties by citizens, permanent residents for the sixth year onwards.
- ✓ As highlighted earlier in our Budget 2022 Preview writeup, direct taxes only made up 50.0% of Malaysia's central government revenue in 2020 compared to 55.8% in 2018.
- ✓ Therefore, it is time for the government to consider increasing the revenue contribution from direct taxes.

FEDERAL GOVERNMENT OPERATING EXPENDITURE (OE)

RM Billion				Change (%)			Share (%)		
	2020	2021E	2022F	2020	2021E	2022F	2020	2021E	2022F
Emoluments	83.0	84.5	86.5	3.1%	1.8%	2.3%	36.9%	38.5%	37.0%
Retirement charges	27.5	27.6	28.1	6.3%	0.2%	1.8%	12.3%	12.6%	12.0%
Debt service charges	34.5	39.0	43.1	4.7%	13.1%	10.5%	15.4%	17.8%	18.5%
Grants and transfers to state governments	7.7	7.7	7.9	1.3%	1.0%	2.3%	3.4%	3.5%	3.4%
Supplies and services	29.3	23.3	30.4	-6.9%	-20.7%	30.5%	13.0%	10.6%	13.0%
Subsidies and social assistance	19.8	16.7	17.4	-17.3%	-15.5%	3.9%	8.8%	7.6%	7.4%
Asset acquisition	0.6	0.4	0.5	-18.1%	-34.3%	28.4%	0.3%	0.2%	0.2%
Refunds and write-offs	0.7	0.5	0.4	-26.8%	-21.9%	-26.6%	0.3%	0.2%	0.2%
Grants to statutory bodies	10.3	13.2	14.1	-25.3%	28.2%	6.6%	4.6%	6.0%	6.0%
Others	11.2	6.7	5.2	-75.3%	-40.7%	-21.9%	5.0%	3.0%	2.3%
Total	224.6	219.6	233.5	-14.7%	-2.2%	6.3%	100.0%	100.0%	100.0%
Share of GDP (%)	15.9%	14.5%	14.3%						

Source: Fiscal Outlook 2022

- ✓ The allocation of OE is estimated to be larger next year at RM233.5 billion (2021E: RM219.6 billion) with the Emoluments remaining as the biggest component which constitutes for about 37.0% of total OE.
- ✓ Spending in **Emoluments** for civil servants is anticipated to increase by 2.3% to RM86.5 billion in 2022 (2021E: RM84.5 billion), underpinned by higher provisions for annual salary increments.
- ✓ Apart from that, RM43.1 billion is allocated for **Debt Services Charges** in 2022 (2021E: RM39.0 billion) with 98.2% amount would be distributed for the payment of coupons on domestic debts.
- ✓ Meanwhile, allocation for **Supplies and Services**, which represents 13.0% of OE, is expected to surge by 30.5% to RM30.4 billion in 2022 (2021E: RM23.3 billion). The increase is attributed to higher outlays for medical supplies, as well as for professional services.

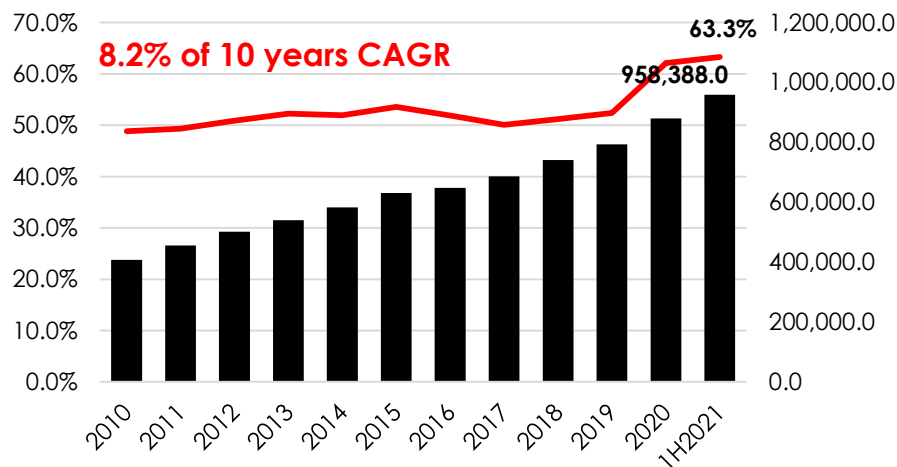
FEDERAL GOVERNMENT DEVELOPMENT EXPENDITURE (DE)

RM Billion				Change (%)			Share (%)		
	2020	2021E	2022F	2020	2021E	2022F	2020	2021E	2022F
Economic	28.7	33.8	40.2	-8.3%	17.6%	19.1%	55.9%	54.5%	53.2%
Transport	12.8	13.0	15.5	-7.1%	1.8%	19.2%	24.9%	21.0%	20.5%
Trade and Industry	2.6	2.4	2.1	-15.7%	-8.2%	-11.8%	5.0%	3.8%	2.8%
Energy and Public utilities	2.3	3.0	3.2	-16.1%	28.6%	6.4%	4.5%	4.8%	4.2%
Agriculture and Rural Development	2.0	2.8	2.9	-13.4%	40.5%	1.6%	3.9%	4.5%	3.8%
Environment	1.3	1.5	2.1	-23.2%	16.1%	34.0%	2.6%	2.5%	2.7%
Social	13.8	17.3	22.7	-4.5%	25.5%	30.7%	27.0%	28.0%	30.0%
Education and Training	6.7	8.1	12.0	-11.7%	20.5%	47.3%	13.1%	13.1%	15.8%
Housing	1.0	1.6	1.8	-52.3%	55.9%	11.9%	2.0%	2.6%	2.3%
Health	4.0	4.4	4.5	118.0%	10.4%	1.4%	7.8%	7.1%	5.9%
Security	5.8	7.3	9.0	3.0%	26.5%	22.6%	11.2%	11.8%	11.9%
General administration	3.0	3.6	3.8	9.4%	17.6%	5.2%	5.9%	5.7%	4.9%
Total	51.4	62.0	75.6	-5.2%	20.7%	21.9%	100.0%	100.0%	100.0%
Share of GDP (%)	3.6%	4.1%	4.6%						

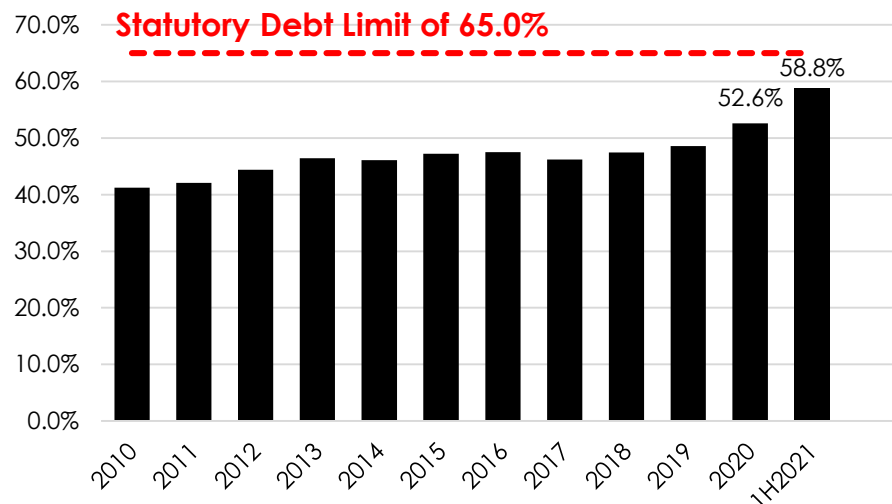
Source: Fiscal Outlook 2022

- ✓ A sizeable amount is allocated for DE (2022F: RM75.6 billion vs. 2021E: RM 62.0 billion) to revive the economy that have been hit by the pandemic.
- ✓ In terms of allocation by sector, the **Economic** sector remains the largest recipient at 53.2% in 2022 (2021E: 54.5%), followed by **Social** (2022F: 30.0% vs. 2021E: 28.0%) and **Security** (2022F: 11.9% vs. 2021E: 11.8%).
- ✓ Within the economic sector, the government would focus on **Transport** (2022F: RM15.5 billion vs. 2021E: RM13.0 billion), as well as **Energy and Public Utilities** (2022F: RM3.2 billion vs. 2021E: RM3.0 billion) sub-sector in effort to maintain key infrastructures and to provide greater access to the rakyat, particularly the supply of electricity and water, telecommunication access and sewerage services.
- ✓ Apart from that, provision for **Education and Training** sub-sector is expected to increase significantly by 47.3% to RM12.0 billion in 2022 (2021E: RM8.1 billion), mainly for technical and vocational education and training (TVET), research grants, and the construction and expansion of educational institutions.

Federal Government Debt-to-GDP ratio, %



Statutory Debt (MGS, GII & MITB)-to-GDP ratio, %



Sources: CEIC, Bank Islam, Fiscal Outlook 2022

Sources: CEIC, Bank Islam, Fiscal Outlook 2022

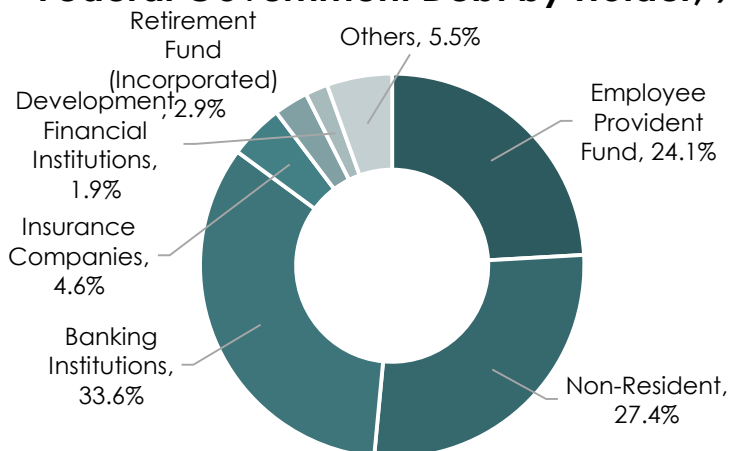
- ✓ The federal government debt reached RM958.4 billion or 63.3% of GDP as at end of 1H2021 which was higher compared to RM879.6 billion at the end of 2021 (62.1% of GDP) as the government has announced series of stimulus packages to cushion the negative impacts from Covid-19 pandemic.
- ✓ Similarly, the statutory debt of Malaysian Government Securities (MGS), Government Investment Issue (GII) and Malaysian Islamic Treasury Bills (MITB) rose to 58.8% out of GDP at the end of June this year from 52.6% out of GDP at the end of December last year. Nevertheless, it remains low compared to new debt threshold of 65.0%, suggesting the government still has fiscal flexibility to manoeuvre.
- ✓ As the economy is still recovering from Covid-19 crisis, the government would likely to continue provides additional assistance and stimulus packages.
- ✓ In light of this, the federal government debt level is projected to reach 66.0% of GDP while the statutory debt is likely to increase to 63.4% by end of next year.

Federal Government Financing, 2020-2021

	RM billion		Share, %	
	2020	2021E	2020	2021E
Gross Borrowing	181.1	210.8	100.0	100.0
Domestic	181.1	205.5	100.0	97.5
MGS	73.0	83.0	40.3	39.4
MGII	76.5	77.0	42.2	36.5
Treasury Bills	31.6	45.5	17.5	21.6
Offshore	-	5.3	-	2.5
Market Loans	-	5.3	-	2.5
Project Loans	-	-	-	-
Repayment	94.5	110.4	100.0	100.0
Domestic	94.1	106.7	99.6	96.7
Offshore	0.3	3.7	0.4	3.3
Net Borrowing	86.6	100.4	-	-
Domestic	86.9	98.8	-	-
Offshore	-0.3	1.6	-	-
Change In Assets	1.1	-1.6	-	-
Total Deficit Financing	87.6	98.8	-	-

Sources: CEIC, Bank Islam, Fiscal Outlook 2022

Federal Government Debt by Holder, %



Source: Fiscal Outlook 2022

- ✓ As the government is set to maintain its expansionary budget to spur the economy, the gross financing including additional allocation for the Covid-19 Fund is expected to remain sizeable at RM196.5 billion which is around 12.0% of GDP next year.
- ✓ This is lower compared to the estimated RM210.8 billion worth of gross financing in 2021 which is 13.9% of GDP.
- ✓ Overall, the projected gross financing in 2021 and 2022 remains higher than the RM181.1 billion seen in 2020. This is in line with the 12MP that has a development expenditure ceiling of RM400.0 billion for the period between 2021 and 2025.
- ✓ However, government's borrowing strategy will continue to prioritise domestic market (MGS and GI) issuance to balance the financing costs with an acceptable risk exposure over the medium term, as well as with minimal exposure of foreign exchange risk. As such, we are forecasting that the issuance of MGS and GI will reach RM175.0 billion in 2022F (2021E: RM165.0 billion).
- ✓ All in all, it is crucial for the government to optimise the utilisation of resources to bolster the economy while cognisant of its medium-term fiscal sustainability.

GROSS DOMESTIC PRODUCT (GDP) TARGETS – DEMAND SIDE



Private Consumption

2022F:
7.3%
2021E:
4.1%



Private Investment

2022F:
2.6%
2021E:
1.4%



Exports

2022F:
4.2%
2021E:
15.0%



2022F:
5.5% - 6.5%
2021E:
3.0% - 4.0%



Public Consumption

2022F:
1.1%
2021E:
3.0%



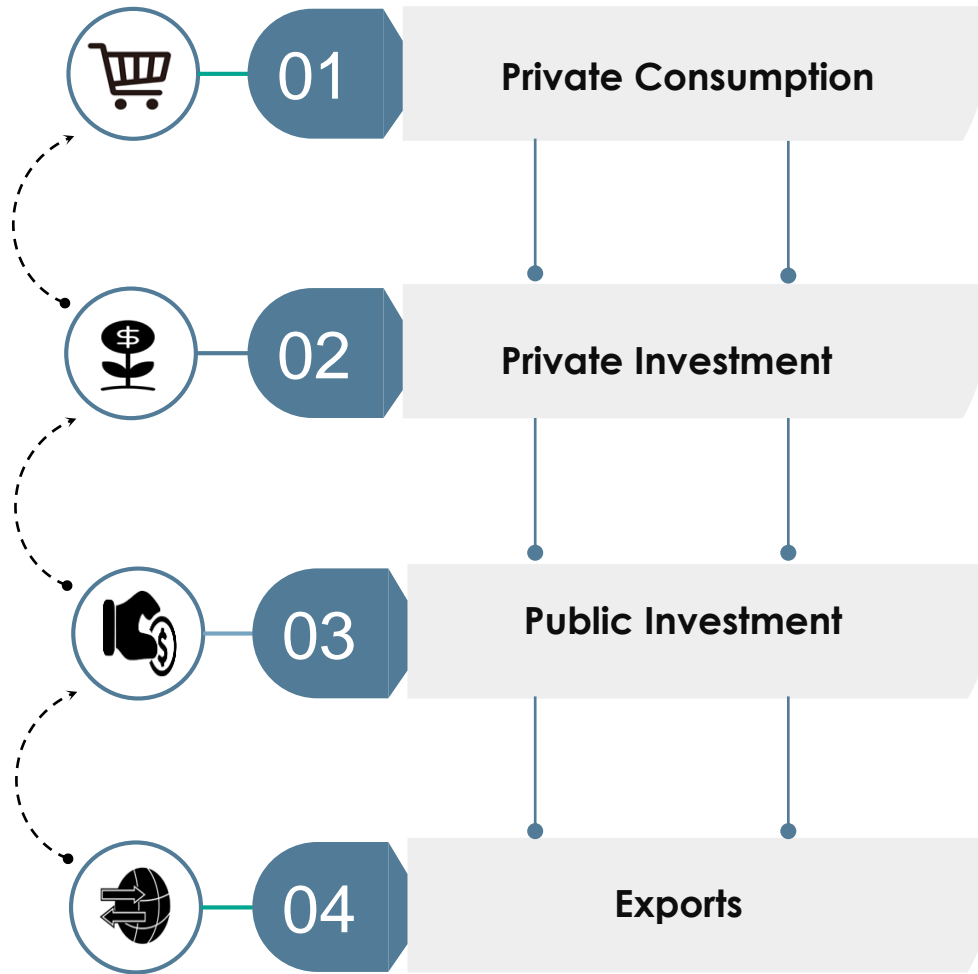
Public Investment

2022F:
24.1%
2021E:
-1.9%



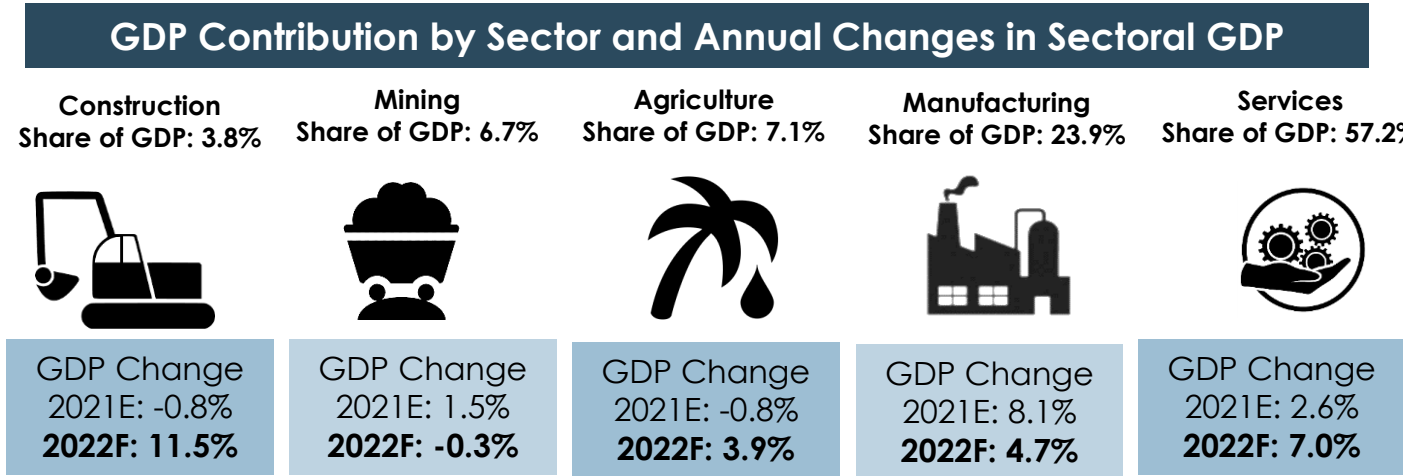
Imports

2022F:
3.9%
2021E:
16.2%



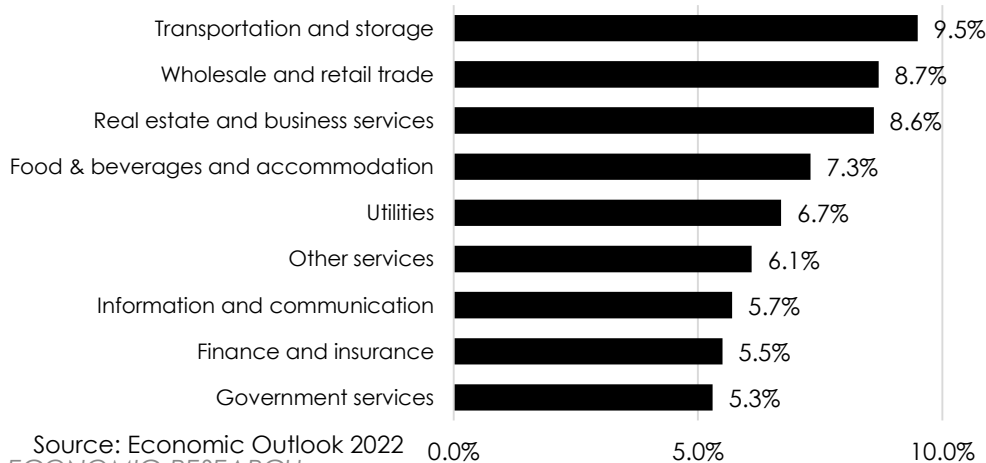
- Better employment prospects due to an anticipation of a broad-based economic recovery, as well as relaxation of containment measures.
- Consumer sentiment is gradually improving.
- Targeted policy support from the government for vulnerable households.
- Government's move to promote quality investment in high-technology, high value-added, knowledge-intensive and innovation-based industries which in line with the National Fourth Industrial Revolution (4IR) policy is expected to spur private investment next year.
- Capital outlays from large-scale transport-related projects such as Mass Rapid Transit Line 2 (MRT2), LRT3, RTS and Pan Borneo Highway, together with new projects such as MRT3, upgrading of Klang Valley Double Track Phase 2 (KVDT 2) and project trough JENDELA are expected to support public investment.
- On the external front, exports are expected to benefit from robust global trade growth and improvements in supply chains.
- Global technology upcycle would result in higher demand for semiconductor and electrical and electronic (E&E) products, particularly for electronic integrated circuits, processors and controllers.

Most of the economic sectors are projected to expand in 2022 after badly hit by the Covid-19 pandemic in 2020 and 2021.



Sources: CEIC, Economic Outlook 2022
*Share of GDP in 2021E

Services Sector, y-o-y%



Source: Economic Outlook 2022
ECONOMIC RESEARCH

- ✓ The services sector which was severely affected during the pandemic crisis is expected to grow by 7.0% next year (2021E: 2.6%).
- ✓ The expansion would be supported by transportation and storage (2022F: 9.5% vs. 2021E: 2.3%) following the continuing demand in online shopping.
- ✓ In addition, the wholesale and retail trade is anticipated to rise further (2022F: 8.7% vs. 2021E: 1.8%) in line with broader usage of e-commerce and rapid transition to digitalisation particularly in the retail segment.

Global Semiconductor Market Forecast

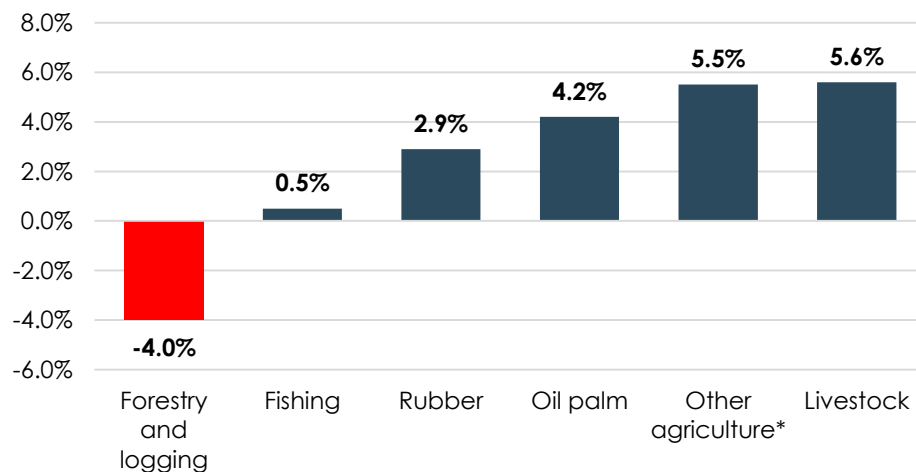
Spring 2021 Q2 Update	Amounts in US\$M			Year on Year Growth in %		
	2020	2021	2022	2020	2021	2022
Americas	95,366	115,868	129,773	21.3	21.5	12.0
Europe	37,520	47,440	51,138	-5.8	26.4	7.8
Japan	36,471	42,913	45,893	1.3	17.7	6.9
Asia Pacific	271,032	344,656	379,678	5.1	27.2	10.2
Total World - \$M	440,389	550,876	606,482	6.8	25.1	10.1
Discrete Semiconductors	23,804	29,389	30,936	-0.3	23.5	5.3
Optoelectronics	40,397	43,137	44,967	-2.8	6.8	4.2
Sensors	14,962	18,666	19,790	10.7	24.8	6.0
Integrated Circuits	361,226	459,685	510,788	8.4	27.3	11.1
Analog	55,658	71,882	76,757	3.2	29.1	6.8
Micro	69,678	77,305	80,922	4.9	10.9	4.7
Logic	118,408	149,388	162,341	11.1	26.2	8.7
Memory	117,482	161,110	190,769	10.4	37.1	18.4
Total Products - \$M	440,389	550,876	606,482	6.8	25.1	10.1

Source: WSTS

- ✓ The agriculture sector is forecasted to be higher by 3.9% (2021E: -0.8%) mainly supported by the commodity segment.
- ✓ The oil palm subsector is anticipated to recover next year in line with a higher output of Crude Palm Oil (CPO), following improved fresh fruit bunches (FFB) production and better oil extraction rates.
- ✓ Furthermore, the relaxation of cross-border foreign workers restrictions expected during the second half of 2022 will increase the labour supply.
- ✓ In addition, the continuation of the national B20 biodiesel programme for the transportation segment accompanied by higher demand of CPO from India and China are expected to further support the production of CPO.

- ✓ The manufacturing sector is expected to record a positive growth of 4.7% in 2022 (2021E: 8.1%), attributed to the steady performance of both export- and domestic-oriented industries.
- ✓ In addition, the World Semiconductor Trade Statistics (WSTS) projected that global semiconductor market would continued to grow by double-digit growth of 10.1% in 2022 (2021E: 25.1%).
- ✓ Apart from that, the ongoing global chips shortage might prolonged until 2023. Therefore, as one of the key players in the world semiconductor trade activities, these combination of factors would bode well for Malaysia's manufacturing sector.

Value-added in Agriculture Sector, y-o-y%



Source: Economic Outlook 2022

*Including paddy, fruits, vegetables, coconut, tobacco, tea, flowers, pepper, cocoa and pineapple

Segment	Projects/Programmes
Infrastructure	<ul style="list-style-type: none"> ✓ Light Rail Transit Line 3 (LRT3). ✓ Mass Rail Transit Line 3 (MRT3). ✓ Johor-Singapore Rapid Transit System (RTS). ✓ Pan Borneo highways in Sabah and Sarawak.
Utility	<ul style="list-style-type: none"> ✓ Baleh Hydroelectric, Sarawak Water Supply Grid Programme. ✓ Large-Scale Solar 3 plant.
Residential Buildings	<ul style="list-style-type: none"> ✓ Rent-to-Own scheme and full stamp duty exemptions for first-time home buyers. ✓ Rumah Mesra Rakyat and People's Housing programmes.

Source: Economic Outlook 2022

- ✓ The mining sector's performance will be highly dependent on the course of Covid-19 pandemic.
- ✓ This sector is anticipated to decline marginally by 0.3%, attributed to lower crude oil and condensates production, following the scheduled shut down of oil and gas plants and facilities for maintenance.
- ✓ However, the natural gas output is expected to increase supported by the production from new gas fields in Sabah alongside sturdy demand from major trading partners, especially China and Japan.

- ✓ On the other hand, the construction sector is projected to reverse out its negative growth of 0.8% in 2021 to expand by 11.5% next year.
- ✓ The upturn is largely due to continuation and acceleration of major infrastructure projects that would support the civil engineering segment.
- ✓ Similarly, the residential buildings subsector is expected to expand further in line with the government's measures to address the shortage of affordable houses.
- ✓ In addition, the non-residential buildings subsector is anticipated to improve mainly on account of ongoing commercial projects, namely Kwasa Damansara, Tun Razak Exchange and KLIA Aeropolis.

Year	Price (USD per barrel)
2020	51.7
2021E	68.0
2022F	66.0

Source: Economic Outlook 2022

- ✓ As for the Brent price, it is expected to average around USD66.0 per barrel in 2022 which is slightly lower compared to estimate of USD68.0 per barrel in 2021.
- ✓ Be that as it may, the estimation is still subject to the global price movement.

BUDGET 2022



**MEASURES THAT WE THINK ARE
IMPORTANT**

Measures	Allocation
<ul style="list-style-type: none"> ✓ Government to introduce BKM (previously known as BPR) which will be benefitted by 9.6 million people. <ul style="list-style-type: none"> 1) One-off cash aid of RM2,000 for households with three or more children earning less than RM2,500. 2) RM500 assistance for single parents households earning up to RM5,000. For single parents with three children or more, they are eligible for a maximum of RM2,500 cash aid from BKM. 3) RM300 assistance for senior citizens. 	RM8.2 billion
<ul style="list-style-type: none"> ✓ EPF to extend reduced minimum contribution rate of 9.0% (from 11.0%) until June 2022. 	RM2.0 billion
<ul style="list-style-type: none"> ✓ i-Saraan initiative for the informal sector including those aged between 55 to 60 years old which will benefit more than 100,000 new and existing recipients. 	RM30.0 million
<ul style="list-style-type: none"> ✓ Provision for housewives and widows via Kasih Suri Keluarga Malaysia Programme. 	RM80.0 million
<ul style="list-style-type: none"> ✓ Provision for children orphaned due to Covid-19 under Yayasan Keluarga Malaysia. 	RM25.0 million
<ul style="list-style-type: none"> ✓ Increasing the minimum pension rate under the Disability Scheme from RM475 to RM550 that will assist 56,000 households. ✓ Adjustment of SOCSO benefits to the higher cost of living which is expected to benefit over 400,000 existing recipients. ✓ Increasing the insured salary ceiling from RM4,000 to RM5,000 to improve social security coverage for 9.0 million workers under SOCSO. 	RM267.0 million
<ul style="list-style-type: none"> ✓ Income eligibility requirement will be increased in line with the 2019 Food Poverty Line Income at RM1,169 from the 2016 Poverty Line of RM980 to benefit more than 440,000 households. 	RM2.4 billion

Measures	Allocation
✓ Jamin Kerja Keluarga Malaysia (JaminKerja) initiative to guarantee 600,000 job opportunities.	RM4.8 billion
<p>✓ JaminKerja employment incentive by SOCSO to benefit 300,000 job seekers. Under this initiative, employers will benefit from hiring jobless Malaysians, whereby:</p> <p>1) An incentive of 20.0% of the monthly salary for the first 6 months will be provided by the government.</p> <p>2) An incentive of 30.0% for the next 6 months subject to jobs that offer remuneration of RM1,500 and above will be provided by the government.</p>	RM2.0 billion
✓ An incentive of 30.0% of the monthly salary for the first 6 months and 40.0% for the next 6 months to jobs that offer remuneration of RM1,200 and above will be provided by the government to encourage employers to provide employment opportunities for targeted groups like the disabled, Orang Asli and ex-convicts.	Not available
✓ Extended initiative to employers who employ women that have been unemployed for more than 365 days, single mothers and housewives in an effort to encourage women to return to work.	Not available
✓ Continuation of Malaysia Short-term Employment Programmes or MyStep initiative by next year to offer 80,000 contract employment opportunities that cover both jobs within the public sector (50,000 jobs) and Government-Linked Companies (30,000 jobs) beginning January 2022.	Not available
✓ Upskilling and reskilling programmes for targeted 220,000 trainees.	RM1.1 billion
✓ A monthly incentive of RM800 to RM900 to employers who employ apprentices comprises of school leavers and graduates aged between 18 to 20 years.	Not available

Measures	Allocation
✓ Provision for the Ministry of Education which is the biggest among other sectors.	RM52.6 billion
✓ Provision for the Ministry of Higher Education.	RM14.5 billion
✓ Early Schooling Assistance of RM150 per student to be benefitted by 3.0 million students.	RM450.0 million
✓ Maintenance and repair of schools, including RM140.0 million to the Department of Islamic Development Malaysia (JAKIM).	RM1.0 billion
✓ Provision for National-Chinese Schools and National-Tamil Schools.	RM120.0 million
✓ Provision to upgrade dilapidated schools in Sabah (112 projects) and Sarawak (165 projects).	RM746.0 million
✓ Provision to empower special education agenda, including for the purchase of teaching equipment and improving school facilities.	RM50.0 million
✓ One off-payment of RM100 to be benefitted by 400,000 teachers under the Special Incentives for Teaching Aids.	Not available
✓ Provision for tablet under PerantiSiswa Keluarga Malaysia initiative to be benefitted by 600,000 higher education students from the B40 group.	RM450.0 million
✓ Provision to strengthen and enhance technical, as well as vocational education and training (TVET) under relevant ministries and agencies.	RM6.6 billion
✓ Provision for collaboration with industries including the National Dual Training System (SLDN) and industry certification programmes.	RM200.0 million

Measures	Allocation
<ul style="list-style-type: none"> ✓ One-off payment of RM150 into e-wallet account under eStart Programme initiative to benefit by 2.0 million youths aged 18 to 20 years old, as well as full-time students in higher education institutions 	RM300.0 million
<ul style="list-style-type: none"> ✓ Reintroduced a discount on the repayment of loans under the Higher Education Loan Fund. The discount period will begin 1 November 2021 until 30 April 2022: <ol style="list-style-type: none"> 1) 15.0% discount for those who settle their PTPTN loans in full; 2) 12.0% discount for those who settle at least 50.0% of their loan in a single payment; and 3) 10.0% discount for those who settle through an automatic deduction of their salary. 	Not available

Measures	Allocation
✓ Overall allocation for the Ministry of Health.	RM32.4 billion
✓ Funding for ongoing vaccination programme.	RM2.0 billion
✓ Enhance the capacity of public health service facilities including the purchase of medicine, consumables, personal protective equipment (PPE) and health kits.	RM2.0 billion
✓ Government intends to procure antiviral drugs that have been found to be effective against various viruses including Covid-19.	Not available
✓ Provide individual tax relief and tax deduction to employers on costs associated with the adoption of self-funded booster vaccines.	Not available
✓ Extend the contracts of more than 10,000 medical, dental and pharmaceutical officers for a maximum of four years after their two-year compulsory service period to ensure continuity of their service.	Not available
✓ Approve the sponsorship of medical specialist programmes for the benefit of 3,000 medical and dental contract officers.	RM100.0 million
✓ Strengthen mental health support services, counselling and psychosocial support, increase mental health advocacy programmes and strengthen the role of non-governmental organisations (NGOs) as partners on mental health programmes.	RM70.0 million
✓ Expand the scope for individual income tax relief for full medical check-up expenses to cover the cost of check-up or consultation service related to mental health from registered psychiatrist, clinical psychologist and counsellor.	Not available

Measures	Allocation
✓ Provision to Bumiputera SMEs to explore business opportunities in the aerospace industry.	RM100.0 million
✓ Equity and quasi-equity investment scheme to assist companies in facing gearing or leverage issues.	RM2.1 billion
✓ Provision by Bank Negara Malaysia (BNM) for SMEs via Targeted Relief and Recovery Facility (TRRF)	An additional of RM2.0 billion
<p>✓ Provision of microcredit financing via various agencies such as TEKUN, Agrobank, BSN, Bank Rakyat and Bank Negara Malaysia (BNM) to support and assist the micro entrepreneurs.</p> <p>1) Tekun: Financing scheme of zero percent interest for a maximum loan of up to RM10,000 with a moratorium period up to 12 months.</p> <p>2) BSN and Agrobank: Financing scheme of zero percent interest rate for the first 6 months of micro credit loans of up to RM75,000 with a moratorium period of six months.</p>	RM1.8 billion
✓ i-TEKAD programme that offers initial capital, microcredit and structured training to microenterprises to support social finance initiatives.	RM20.0 million
✓ Provision for Halal Development Corporation to execute various programmes such as micro SME (MSME) Halal Product Digital Branding and the MSME Halal Product Marketability programme to develop more Halal MSMEs that are able to compete internationally.	RM25.0 million
✓ Syarikat Jaminan Pembiayaan Perniagaan (SJPP) will enhance the scheme with an additional guarantee limit of RM10.0 billion to provide guarantees for loans that are being rescheduled and restructured for companies in need with RM2.0 billion being dedicated to Bumiputera businesses.	Not available

Measures	Allocation
<p>✓ Incentive for MSMEs entrepreneurs:</p> <ol style="list-style-type: none"> 1) A deferment of income tax instalment payment until 30 June 2022; 2) Allowing businesses to amend the estimated income tax payable on the 11th month before 31 October 2022; 3) Extension of special tax deduction until June 2022 to the building owners or business premises who provide rental reduction to tenants of at least 30.0% from the original rate; 4) Accumulation of unabsorbed business losses tax treatment can be carried forward and be reviewed from 7 consecutive years of assessment to a maximum of 10 consecutive years of assessment. 	Not available
<p>✓ An injection of additional funds to help viable companies that were affected by the Covid-19 pandemic.</p>	RM3.0 billion
<p>✓ Low Carbon Transition Facility to help SMEs adopt sustainable and low carbon practices.</p>	RM1.0 billion

Measures	Allocation
✓ Smart Automation matching grants for 200 manufacturing and services companies to automate their processes.	RM100.0 million
✓ Launching of the Innovation Hub: Industrial Revolution 4.0 under Technology Park Malaysia to be a one-stop centre for the development of new technology cluster such as drones, robotics and autonomous vehicles. This hub is expected to benefit and provide exposure to 10,000 potential entrepreneurs.	RM30.0 million
✓ Cradle Fund as the agency coordinator for the startup ecosystem will expedite efforts to build the economic resilience of startups.	RM20.0 million
✓ Promote technology transformation towards the Fourth Industrial Revolution or Industry4WRD among SMEs and mid-stage companies for the manufacturing and services sector.	RM45.0 million
✓ The National Regulatory Sandbox under the MOF's FUTURISE will be further enhanced to conduct industry studies and recommend measures to facilitate innovation in the community and improve the ease-of-doing-business.	Not available
✓ Ministry of Science, Technology and Innovation and Ministry to intensify research and development (R&D) activities in applying new innovations in line with the development of science and technology that includes industry collaborations.	RM423.0 million
✓ In 2022, the National Digital Identity project, an identity verification platform, will be implemented to enhance connectivity between all kinds of transaction systems in order to ease and encourage safe digital transactions.	Not available
✓ Target 80.0% of government services to utilise cloud storage by 2022. Hence, the Digital First Programme initiative will be introduced to encourage the usage of cloud computing in the public sector. Indirectly, this initiative will minimise the need for physical storage and cultivate a paperless culture.	Not available
✓ In 2022, the National Digital Identity project, an identity verification platform, will be implemented to enhance connectivity between all kinds of transaction systems in order to ease and encourage safe digital transactions.	Not available

Measures	Allocation
✓ Continue with efforts for enhancing digital connectivity at 47 industrial areas and 630 schools especially in rural areas under Jalinan Digital Negara (JENDELA) initiative.	RM700.0 million
✓ Providing internet facilities at 40 existing People's Housing Project or Projek Perumahan Rakyat.	RM30.0 million
✓ Expanding the provision of 5G services to reach 36.0% of high-density areas including major cities in Johor, Selangor, Pulau Pinang, Sabah and Sarawak.	Not available
✓ Funds for the SME Digitalisation Grant Scheme will be increased to RM200.0 million from RM50.0 million for micro entrepreneurs in rural areas.	RM200.0 million
✓ Malaysian Communications and Multimedia Commission (MCMC) will transform 600 Keluarga Malaysia Digital Economy Centres into a one-stop centre to guide micro entrepreneurs to adopt technology.	Not available
✓ Introducing the Malaysia Digital Nomad programme to establish a community and ecosystem for digital nomads by leveraging on the tourism sector.	Not available
✓ In 2022, the National Digital Identity project, an identity verification platform, will be implemented to enhance connectivity between all kinds of transaction systems in order to ease and encourage safe digital transactions.	Not available

Measures	Allocation
<p>✓ Initiatives with regard to biodiversity:</p> <ol style="list-style-type: none"> 1) Nature preservation projects such as Penang Hill Biosphere Reserve and Tasik Chini Reserve together with conservation projects to handle the coastal erosion at Pantai Merdeka in Kedah and mitigating floods in Melaka; 2) Programmes to empower the involvement of local communities, army veterans and Orang Asli such as the Jahai tribe, as biodiversity guardians of forest areas through the additional recruitment of up to 1,000 patrollers; 3) Assistance for operation costs of zoos, efforts to breed the Malayan Tiger and implementation of the Frozen Zoo programme to protect endangered species; 4) Campaign to plant 100.0 million trees with a target of 20.0 million trees per year; and 5) Supporting grant to support the role of the World Wildlife Fund, All-Party Parliamentary Group Malaysia, (APPGM) as well as Environmental Partners. 	<p>RM450.0 billion</p>
<p>✓ Implementation of Ecological Fiscal Transfer (EFT) to preserve biodiversity each year in all states.</p>	<p>RM70.0 million</p>
<p>✓ Electric vehicles will not be subjected to import duties, excise duties and sales tax, making them effectively tax-free.</p>	<p>Not available</p>
<p>✓ Road tax exemptions of up to 100.0% will also be given to the EV owners.</p>	<p>Not available</p>
<p>✓ The government has also announced that EV owners will benefit from the tax relief of RM2,500 applicable for purchase cost, assembly cost, rent and hire purchase together with payments related to the charging facilities for EVs.</p>	<p>Not available</p>

Measures	Allocation
✓ Overall allocation for the tourism sector:	RM1.6 billion
1) Implementation Wage Subsidy Programme targeted for tourism industry players that will benefit more than 26,000 employers and 330,000 workers;	RM600.0 million
2) PENJANA Tourism Financing and Bank Pembangunan Malaysia Berhad Rehabilitation Scheme;	RM600.0 million
3) Special assistance to more than 20,000 tourism business operators registered under the Ministry of Tourism, Arts and Culture for a three-month period;	RM85.0 million
4) Maintenance of tourism infrastructure that includes Bangunan Sultan Abdul Samad Lembah Bujang in Kedah;	RM50.0 million
5) Granting of matching grants for repair purposes to 738 budget hotels registered under MOTAC as well as repair grants for registered home stay owners;	RM30.0 million
6) Matching grants for companies organising events related to arts and culture; and	RM50.0 million
7) Incentive fund for the purpose of promotional activities as well as domestic tourism.	RM60.0 million
✓ Special individual income tax relief for domestic tourism expenses up to RM1,000 be extended until year of assessment 2022.	Not available
✓ Improve Malaysia's position as a destination of choice for medical travel via the Malaysia Healthcare Travel Council.	RM20.0 million
✓ Extend several tax incentives including income tax exemption for organizers of arts and cultural activities as well as international sports and recreational competitions until the year of assessment 2025.	Not available
✓ Exemption for entertainment duty including cinemas and theme parks in all Federal Territories and tax exemption for tourism activities until 31 December 2022.	Not available

Measures	Allocation
<ul style="list-style-type: none"> ✓ Improvements in rural development: <ol style="list-style-type: none"> 1) Rural road projects and roads connecting villages spanning 519km that will benefit 130,000 local residents; 2) Providing rural and alternative water supply to a target of 4,800 homes; 3) Rural electricity supply with a target of more than 2,100 homes; and 4) Installation of 7,000 new units of Kampung street lights in villages and maintain another existing 500,000 units of street lights in villages. Upgrading 20 dilapidated bridges while undertaking preliminary works for the construction of a further 30 new bridges. 	<p>>RM2.5 billion</p> <p>Nearly RM1.5 billion</p> <p>RM382.0 million</p> <p>RM485.0 million</p> <p>RM107.0 million</p>
<ul style="list-style-type: none"> ✓ Rural infrastructure development for Sabah and Sarawak. 	<p>RM1.5 billion</p>
<ul style="list-style-type: none"> ✓ Continue the implementation of the nation's infrastructure development projects which includes Pan Borneo Highway and the Central Spine Road. 	<p>RM3.5 billion</p>
<ul style="list-style-type: none"> ✓ The creation of the Infrastructure Facilitation Fund 3.0 under the supervision of the Public Private Partnership Unit under the Prime Minister's Office To further boost high-impact infrastructure development activities through Public-Private Partnerships. 	<p>RM200.0 million</p>
<ul style="list-style-type: none"> ✓ Continue implementation of small and medium-sized projects for contractors in Class G1 to G4 nationwide that covers upgrading of infrastructure at public universities, polytechnics, community colleges and other social amenities. 	<p>RM2.9 billion</p>

Measures	Allocation
<p>✓ Initiatives for food security :</p> <ol style="list-style-type: none"> 1) Various Food Security projects involving various states, including the Development of the Aquaculture Industry and Shellfish Estates in Johor; 2) National Food Security Strengthening Program to provide logistics facilities and storage centres for 70 out of 94 tech food supplies and fresh agricultural produce for farmers and agro-food entrepreneurs; 3) Ruminant Feed Incentive Assistance Program through the Subsidized Price Scheme for palm oil bran to enable small ruminant farmers to obtain a supply of feed at cheaper prices in line with the concept of cyclical economy; and 4) SME Techno Entrepreneur Incentive Program to increase crop production and food processing through the application of technology for the benefit of 140 agri-entrepreneurs as well as the program. 	<p>RM120.0 million</p>
<p>✓ Proposal for idle and undeveloped land owned by the Federal Government and Malay Reserve land to be leased for agricultural or business projects.</p>	<p>Not available</p>
<p>✓ A financing program will be provided by Agrobank and BNM through, among others, the AgroFood Facility amounting to RM500.0 million and the AgroFood Financing Fund amounting to RM200.0 million</p>	<p>RM1.25 billion</p>
<p>✓ Strengthen the development of rural communities through commodity development programs:</p> <ol style="list-style-type: none"> 1) Purpose of rehabilitation and development package for FELDA settlers; 2) FELCRA participants; and 3) Development of smallholder farmers in the rubber industry under RISDA. 	<p>RM2.5 billion</p> <p>RM1.3 billion</p> <p>RM495.0 million</p> <p>RM699.0 million</p>

Measures	Allocation
<ul style="list-style-type: none"> ✓ The granting of subsidies and incentives for the agriculture and fisheries industry: <ul style="list-style-type: none"> 1) Seed, fertilizer, price and paddy production subsidies; 2) Huma paddy fertilizer subsidy; and 3) Incentives for fishermen's catch. 	<ul style="list-style-type: none"> RM1.7 billion RM1.5 billion RM40.0 million RM150.0 million
<ul style="list-style-type: none"> ✓ Implement the National Rubber Industry Transformation Program aimed at uniting smallholder farmers, rubber entrepreneurs and small cooperatives in a larger consortium, to be able to process rubber scrap into rubber creeps. 	<ul style="list-style-type: none"> Not available
<ul style="list-style-type: none"> ✓ Introduce and expand the use of RRIM Hydrobest technology to smallholder farmers through a matching grant. 	<ul style="list-style-type: none"> RM15.0 million
<ul style="list-style-type: none"> ✓ Continue the Monsoon Season Assistance to help ease the living burden of 320,000 smallholder farmers who lost income during the monsoon season. 	<ul style="list-style-type: none"> RM190.0 million

Measures	Allocation
✓ Removal of Real Property Gains Tax (RPGT) for house sales from 6 th year onwards.	Not available
✓ Continuation of housing projects such as Rumah Mesra Rakyat and maintenance of public housing units specifically for low-income group.	RM1.5 billion
✓ Housing Credit Guarantee scheme to assist gig workers and small traders without steady income to apply for a mortgage loan.	RM2.0 billion

Measures	Allocation
<ul style="list-style-type: none"> ✓ Issuance of sovereign Sustainability Sukuk in Ringgit next year to be channelled to eligible social or environmentally friendly projects. 	<p>Up to RM10.0 billion</p>
<ul style="list-style-type: none"> ✓ Launch the Waqf SME Halal, Agriculture Waqf and Disaster Waqf initiatives to produce more farmers and halal industry entrepreneurs as well as to assist them in the event of a disaster. Corporates and the general public are encouraged to endow their property into this fund. 	<p>RM10.0 million (as start-up capital)</p>

Measures	Allocation
✓ Implement the Smallholder Farmers' Oil Palm Replanting Stimulus Scheme	RM35.0 million
✓ Address the anti-palm oil campaign at the international level.	RM20.0 million
✓ Increase the windfall levy threshold value for palm oil from RM2,500 to RM3,000 for Peninsular Malaysia and from RM3,000 to RM3,500 for Sabah and Sarawak. Meanwhile, the Sabah and Sarawak levy rates are adjusted to 3.0% similar to the levy rates in the Peninsula.	Not available

Measures	Allocation
✓ Subsidies for air transportation services for the benefit of locals.	RM209.0 million
✓ Interim Stage Bus Support Fund (ISBSF) to benefit stage buses.	RM80.0 million
✓ Unlimited travel bus pass and rail priced at RM50 monthly for commuters mainly in the Klang Valley.	RM115.0 million
✓ Continuation of the MyRail5 initiative for students.	Not available
✓ Extension of 100.0% sales tax exemption on CKD passenger vehicles and 50.0% on CBU including SUV and MPV for 6 months until 30 June 2022 to reduce the cost of ownership.	Not available
✓ Full cost Motor Vehicle Road Tax on all private vehicles owned by the disabled to be borne by the government in 2022.	Not available

Essential for growth

The **expansionary fiscal policy** will definitely bode well for the economy especially when the country and world are transitioning into an endemic phase. Relaxation of movement restrictions and reopening of state borders will give rise to human mobility which will have a positive trickle down effect towards the economic output.

Fiscal responsibility could likely prevent a rating downgrade

With the **debt-to-GDP ceiling raised to 65.0% from 60.0%**, this could also provide the government increased flexibility in accelerating the initiatives to support the economy. Such moves may raise eyebrows of Credit Rating Agencies (CRAs) that have been deeply engrained with the mantra of fiscal discipline. Nevertheless, the proposed introduction of the Fiscal Responsibility Act (FRA) in 2022 to improve governance, accountability and transparency in the country's fiscal management could provide some buffer from any credit rating downgrade by the CRAs which will prevent bond markets from facing a major sell-off.

Our economic forecast

GDP growth is expected reach 5.2% in 2022 after expanding by 4.2% this year. Our forecast slightly differs from the forecast range by the Ministry of Finance (MOF) of between 5.5% and 6.5%. The reason for the difference is that we are erring on the side of caution amid the possible prolonging of the supply chain bottlenecks across the globe.

Monetary policy implications

In light of better economic performance in 2022, an Overnight Policy Rate (OPR) hike from 1.75% to 2.00%, particularly in 2H2022 could occur after Bank Negara Malaysia obtains more data on spending patterns during festive periods, namely Chinese New Year and Hari Raya Aidilfitri.

Borneo contractors are set to benefit from Budget 2022

Despite the lack of mega projects mentioned under Budget 2022, contractors residing in Borneo could be the largest beneficiary with Sabah and Sarawak receiving an allocation for development expenditure worth RM5.2 billion and RM4.6 billion respectively. Therefore, construction players that are based in Borneo such as **Hock Seng Lee, Cahya Mata Sarawak and KKB Engineering could benefit from such allocation.**

Implications towards the FBM KLCI index

Given that the 30 constituents of the FBM KLCI index are **public listed companies that mostly have a track record of profit-before-taxes exceeding RM100.0 million**, the one-off windfall tax or Cukai Makmur could dent underlying corporate earnings. Therefore, a negative knee-jerk reaction in the market is inevitable in the short to medium term. Nevertheless, there could be a case whereby the impact of the higher tax rate to be partly outweighed in light of the broad-based economic recovery in 2022.

Overall equity market prospects

Concerns in bluechip companies arising from the Cukai Makmur will likely **drive interest towards companies with smaller market capitalisation that record profit before taxes of below RM100.0 billion.** As a result, the companies with small market capitalisation will receive support not just from retail investors, but also institutional and perhaps foreign investors after this.

Ringgit

Meanwhile, the Ringgit reacted positively and strengthened by 0.2% against the U.S. Dollar yesterday. The expansionary Budget 2022 may have instilled some confidence among currency traders that the nation's economy is set to thrive better next year with the existing mega projects in place. However, headwinds may appear when the U.S. Federal Reserve announces its tapering of asset purchases during its meeting next week. Taking these matters into consideration, we anticipate that **Ringgit could be in the range of RM4.15 and RM4.17** against the U.S. Dollar by the year-end.

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An aerial photograph of a city skyline at sunset, with a prominent pink bar at the bottom. The sky is filled with soft, golden light and scattered clouds. The city features numerous high-rise buildings, with a particularly tall, slender skyscraper on the left. A highway with traffic is visible in the foreground, winding through the city. The overall atmosphere is warm and serene.

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