



Budget 2021 Expansionary and Targeted At Reviving the Economy

Kuala Lumpur, November 6, 2020 - The Federation of Malaysian Manufacturers (FMM) commends the Government for a people's budget focusing on the wellbeing of the rakyat and reviving the economy. The budget is expansionary in nature with emphasis on initiatives to battle the impact of the Covid-19 pandemic including the additional allocation towards the Covid-19 Fund.

Despite the current economic constraints, the budget has focused on protecting jobs and companies by helping ease the cash flow challenges of the people and businesses and move Malaysia towards a more sustainable and equitable economy. The development budget of RM69 billion is commendable. Specifically for the manufacturing sector, the budget has provided initiatives and incentives towards revitalising the economy including facilitating greater access to financing, SME development, attracting investments, driving the acceleration of digital adoption and automation, enhancing job opportunities via reskilling and upskilling including Technical and Vocational Education and Training (TVET) and promoting the use of local products and services.

Support for Job Generation and Retention

We commend the Government's actions to continue to support job generation and retention via the numerous human capital development initiatives and also welcome the establishment of the National Employment Council. FMM hopes that the Council would include participation of the private sector and key stakeholders.

The initiative to support workers who have lost their jobs and the targeted extension of the Wage Subsidy Programme, which was part of FMM's wish list, is lauded.

We fully support the RM1 billion allocations for upskilling and reskilling towards human capital development as well as the RM6 billion allocation for the empowerment of TVET and funding and grants for Apprenticeship involving fresh graduates.

Investment and Trade Facilitation

The extension of the PENJANA special tax incentives to attract FDIs to relocate their manufacturing to Malaysia from 2021 until 2022 is welcomed. FMM reinforces that the incentive should also be extended to existing investors which had received approvals for expansion, diversification or new projects in 2019 as well as to domestic investments. These are "captive" investments which can immediately take advantage of the incentives to deliver the desired results more quickly, especially in terms of multiplier effect on their existing suppliers i.e. the SMEs and realised project implementation.

Given that the recent trend is the diversification of Malaysia's export markets with greater focus on higher value-added manufacturing activities, FMM welcomes the introduction of the Global Trading Centre (GTC). However, we hope that the details including the conditions and guidelines will be made available soon.

On trade facilitation, FMM thanks the Government for initiating the National Authorised Economic Operator (AEO) facility which has been broadened to integrate the Royal Malaysian Customs Department with other Government agencies to facilitate trading across borders.

Support for SMEs

The various incentives, especially financial assistance to SMEs and in particular micro-businesses will relieve their tight cash flow and improve the chances of business recovery and sustainability. In particular, FMM greatly appreciates the Government's allocation of RM2 billion targeted assistance for SMEs recovery under Bank Negara Malaysia. The previous incentives under the BNM Special Relief Fund (SRF) and PENJANA SME Financing (PSF) have been most effective in providing financial support to SMEs. Topping up the PSF is one of FMM's wish list for SMEs under the Budget 2021.

FMM hopes that the Budget incentives relating to the promotion of high value-added and high technology industries will benefit SMEs already with the technical capability as well as SMEs along the supply chain of these high tech, high value industries.

The National Supply Chain Finance Platform or JanaNiaga is another Budget initiative which will help to address cash flow for SMEs supplying to the Government and GLCs; as well as help SMEs to obtain loans from financial institutions. It will be good if the roll-out of the programme can be expedited and for the facility to be made available to all SMEs supplying through government and GLCs' procurement.

Support for Digitalisation and Greater Innovation and Automation

FMM welcomes the allocation of RM42 million to upgrade Internet connectivity in 25 industry areas under the JENDELA program. However FMM is of the view that the government needs to review its Internet connectivity strategies to cover more industry areas with faster and affordable High Speed Broadband (HSBB) and implementation of 5G infrastructure in all parts of country as many industries and business rely heavily on the Internet for their business operations.

FMM also welcomes the additional allocation of RM150 million for the SME Digitalisation Grant Scheme and Automation Grant; which is also accompanied by the relaxation of qualifying criteria to facilitate access by SMEs and start-ups which have been in operation for six months. We look forward to receive the full details from the Government on the more relaxed criteria.

The support for development of science and technology via the allocation for R&D including the reintroduction of tax incentives for non-resource based R&D product commercialisation and extension of the incentive to private higher education institution would most certainly drive greater innovation activities and collaboration between industries and academia.

Development of Key Infrastructure to Support Manufacturing Operations

FMM applauds the Government on the following initiatives:

- The RM100 million allocation for the maintenance of infrastructure in industrial parks which would enhance competitiveness of the industry and attractiveness for investors.
- In addition, the manufacturing sector notes the allocation of RM15 billion and RM3.8 billion allocated for transport infrastructure projects including Pan Borneo Highway, Gemas-Johor Bahru project and Klang Valley Double Track project and construction of bridges and roads in several states. We hope that these funds will also be used to upgrade and maintain the roads in industrial estates.
- The move to ensure water security with the RM45 million allocation provided for the upgrading of water supply infrastructure for petrochemical industry in Gebeng and RM150 million for the raw water transfer to Jus Reservoir in Melaka.
- Government's commitment to proceed with High Speed Rail project, subject to discussions with Singapore as we believe improved transportation connectivity will lead to more business and closer ties among both countries.

Supporting Sustainable Development Goals (SDG)

FMM also supports the following initiatives towards sustainability efforts:

- The setting-up of MySDG Trust Fund which provides systematic platform towards coordinating the funding received from the public and private sectors. The Trust Fund should also coordinate all SDG-related projects to ensure no overlaps and efficient allocation of resources.
- Extension of Green Technology Financing Scheme or GTFS 3.0 which would further encourage industries to practice green project procurement such as energy efficiency, renewable energy and environmental conservation.

Strengthening Domestic Sales Through Buy Made-in-Malaysia and Addressing Illegal Trade

FMM is a strong advocate of Buy Made-in-Malaysia products to stimulate domestic demand and we thank the Government for taking heed of our call to promote the exports of Malaysian products and services through the allocation of RM35 million for Trade and Investment Missions.

In addition, FMM lauds the Government's effort in strengthening the Off-Take Agreement Programme by the Ministry of Health (MOH) to facilitate local manufacturers in developing a vibrant pharmaceutical industry in Malaysia. FMM believes that the allocation of RM1.4 billion to support the development of the domestic supply chain and increase the development of local products including medical devices would further develop the local medical devices industry.

FMM also welcomes the strengthening of the Multi-Agency Taskforce to curb smuggling and trade of illicit goods to address the loss of revenue to the Government.

FMM's Wishlist Not Fulfilled In Budget 2021

- i. FMM had called for waiver of both corporate and individual incomes taxes for Year of Assessment 2020 and 2021 for a stronger impact and multiplier effect from consumer to business to workers which was not considered. In addition, FMM had also called for a more competitive tax regime for both corporate and tax rate. We note that the personal tax rate reduction was only a 1% reduction for those under the income bracket of RM50,000 - RM70,000. We believe that this reduction could have been extended to the other income brackets as well.
- ii. FMM would also like to highlight that incentives for Industry 4.0 adoption need to be focused and more government resources should be allocated to promote and encourage Industry 4.0 and digitalisation in Malaysia. SMEs in particular continue to need assistance to close their automation gaps, review and identify the right technologies which would bring them towards the next level of industrialisation.
- iii. It is important to upgrade SMEs' technical capabilities and capacities concurrently to strengthen backward linkages and thereon, to help SMEs transform and grow their operations to become more competitive suppliers and world-class manufacturers. In this respect, the Industrial Linkage Programme managed by MIDA and Vendor Development Programme under MEDAC can be the vehicles to drive this transformation more aggressively and specific allocation must be given to support these programmes.



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President, Federation of Malaysian Manufacturers

FMM Advocates Transparency, Integrity and No Corruption

About FMM

The Federation of Malaysian Manufacturers (FMM) has been the voice of the Malaysian manufacturing sector since 1968. Representing over 10,000 member companies (3,000 direct and 7,000 indirect) from the manufacturing supply chain, FMM is actively engaged with government and its key agencies at Federal, State and local levels. FMM is also well-linked with international organisations, Malaysian businesses and civil society. Apart from benefitting from FMM's advocacy, FMM members enjoy value-add services, including training, business networking and trade opportunities as well as regular information updates.

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