



## MEDIA RELEASE

### BUDGET 2018: WELL-BALANCED, FUTURISTIC AND PRO-GLOBALISATION

1. I congratulate YAB Prime Minister for the best ever Budget that is well-balanced and inclusive, touching every aspect of Malaysia and its citizens, as well as preparing us for the future.
2. The Budget continues to **empower our SMEs and for the first time ever, they receive a big boost of RM23.7 billion** in terms of government allocation, grants, soft loans and guarantees. These initiatives are vital in building the capabilities of our SMEs to ensure they remain competitive in meeting the economic challenges of today and tomorrow. In addition to these said allocations, the **RM1 billion provided by major institutional investors and the tax incentive for investment in venture capital** will **stimulate entrepreneurship and promote the growth of start-ups and innovation** in our economy.
3. With the support and allocations, I have every **confidence that SMEs will be able to contribute 41% to GDP by 2020**. The Government is committed in positioning our SMEs in new growth areas including the digital economy. We are currently in the process of **onboarding more than 1,500 local SMEs into the first phase of the Digital Free Trade Zone (DFTZ)** to be launched by YAB Prime Minister and Jack Ma in early November. This will be a further boost to SMEs in terms of their export growth and employment creation.
4. **Malaysia's pro-globalization and international outlook were also reaffirmed** by this Budget. The Principal Hub initiative that was introduced in May 2015 has approved 27 applications from multinational companies to establish their regional and global headquarters in Malaysia. The Principal Hub initiative has resulted in business spending of over RM230 million and utilization of local ancillary services worth around RM20 million per annum, as well as creation of high-value jobs. The **extension of this Principal Hub incentive package**



**beyond 2017 until December 2020** is a significant move to **strengthen Malaysia's position as the gateway to the region and the world.**

5. Our **focus in recent years has been to promote high quality investment** and thus the **RM200 million allocated for High Impact Strategic Fund under MIDA** will assist in achieving this objective. These investments would facilitate technology-transfer and creation of high-skilled jobs that will change the landscape of our economy, especially as Malaysia continues to transform itself into a high-income status.

6. The **internationalization agenda is further strengthened** with the allocation of **RM150 million for MATRADE, MIDA and SME Corp to undertake export and investment promotion activities** including Market Development Grant (MDG). In 2016, the MDG has benefited a total of 1,910 SMEs. This allocation will certainly strengthen the Government's efforts to increase the **visibility of Malaysia in the international marketplace** especially in light of increasingly competitive environment. For the year 2017, we expect our **total trade to grow by 17.1% to RM1.7 trillion** while **exports will accelerate by 16.6% to RM917.5 billion.**

7. Moreover, the **allocation for EXIM Bank of RM1 billion for credit insurance facility and RM200 million for export financing** will address the financing problem faced by SMEs which are looking to export. It will be **instrumental in boosting the export by SMEs**, especially as we target to raise their export contribution to GDP to 23% by 2020.

8. This is also a **future-focused Budget which takes cognizance of the need to strengthen Malaysia's embrace of Industry 4.0.** Over the last 10 years, MIDF has approved over RM1.5 billion of loans under the Soft Loan Scheme for Automation and Modernization (SLSAM) – an amount which is still small given the **importance of automation especially in current business landscape** as well as the pressing need not only to reduce dependence on foreign workers, but also to create more high income jobs. As such, we believe the RM1



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

billion in the form of 70% Government guaranteed loan for companies that plan to innovate will help us achieve this objective.

9. The provision of **RM245 million worth of matching grant under the Strategic Domestic Investment Fund** will allow us to upgrade **Smart Manufacturing facilities, which are an important dimension of Industry 4.0**. The Government is committed in providing a necessary ecosystem that will encourage and facilitate more companies to innovate and adopt Industry 4.0 elements in their business processes.

10. Overall, Budget 2018 **places SMEs in the mainstream of socio-economic development**. SMEs form 98.5% of total establishments, where 76.5% of them are micro enterprises. The allocations for promotion and financing activities will further enhance our growth in trade and investment, which will play a **major role in delivering the targeted economic growth of 5.2–5.7%**.

-END-

**Dato' Sri Mustapa Mohamed**  
**Minister of International Trade and Industry**  
**28 October 2017**

**About MITI:**

MITI is the key driver in making Malaysia the preferred destination for quality investments and enhancing the nation's rising status as a globally competitive trading nation. Its objectives and roles are oriented towards ensuring Malaysia's rapid economic development and help achieve the country's stated goal of becoming a developed nation by 2020 .

**Media enquiries**

**Ministry of International Trade & Industry**  
**Strategic Communications Unit**

Tel +603 6200 0082

Fax +603 6206 4293

E-mail [allpegkomunikasikorporat@miti.gov.my](mailto:allpegkomunikasikorporat@miti.gov.my)