'Budget 2027 to focus on growth'

Economists expect government measures to be more people-centric

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PETALING JAYA: The six measures announced by the Prime Minister on the eve of National Day are indications that Budget 2027 could be expansionary and more people-centric, say economists.

Bank Muamalat Malaysia Bhd chief economist Mohd Afzanizam Abdul Rashid said the Budget could target a fiscal deficit-to-GDP ratio of about 3.5%.

"I think it's going to be an expansionary budget and the target for fiscal deficit-to-GDP ratio probably in the region of 3.5% of gross domestic product (GDP)."

He said the measures announced would help contain the risk of higher inflation in the second half of the year, particularly with increased allocations for subsidised fuel.

Sunway University economics professor Dr Yeah Kim Leng said Budget 2027, which is expected to be tabled on Oct 9, is also likely to be expansionary.

"Budget 2027 potentially can increase in tandem with the growth of the economy in current prices, given the expected increase in government revenue.

"Since the positive economic growth momentum is expected to continue next year, further reinforced by its coincidence with the election cycle, it is very likely that Budget 2027 will be expansionary," he said.

Yeah said the Budi95 fuel subsidy is likely to be maintained next year, meaning Budget 2027 will have to accommodate the higher allocation, taking into account savings from reduced leakages and cross-border smuggling.

However, Ilham Centre executive director Hisommudin Bakar said the measures, including the Budi95 announcement, should not be viewed as an indication that a general election would be held soon.

"It's too early to label them as election goodies, as the announcements are more geared towards the government's efforts to respond to public grievances, particularly in the face of continued cost-of-living pressures," he said.

He said the move also demonstrated the government's willingness to pay attention to the M40 group, which had long felt left out of government assistance programmes.

"While this group does not fall under the poor or low-income category, the reality is that they are also feeling the squeeze from rising living costs.

"Therefore, the government needs to broaden its approach to assistance so that it is not focused solely on the B40, but also takes into account the actual circumstances faced by middle-income households," he said.

Hisommudin said the announcement nevertheless had strategic value from a political perspective, as the government sought to regain public confidence following Pakatan Harapan's defeats in the Johor and Negri Sembilan state elections.

He said the measures could be seen as an early indication that Budget 2027 would be more people-centric, while helping to build positive sentiment ahead of the October parliamentary meeting and the possibility of a Melaka state election.

Economist Dr Shankaran Nambiar said the measures would provide relief, although their broader impact remained unclear.

He questioned the decision to exempt businesses with annual sales below RM3mil from e-invoicing, saying it could reduce the visibility of micro-level and retail transactions to LHDN.

"Maybe the government wants to focus on larger market players, where tax leakages represent higher absolute ringgit values, while giving small traders room to grow without immediately absorbing digital regulatory costs," he said.

On healthcare, Nambiar welcomed the higher allocation but questioned whether digitalisation should be the priority, given more pressing problems such as shortages of doctors, specialists and capacity in the public healthcare system.

On Aug 30, Prime Minister Datuk Seri Anwar Ibrahim announced six immediate measures for Malaysians, including wider eligibility for fuel subsidies.

Other initiatives included support for small businesses, school maintenance funds and expanded digital healthcare.