



- ◆ **Subsidy rationalisation on track**
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Reduced Subsidy on Fuel

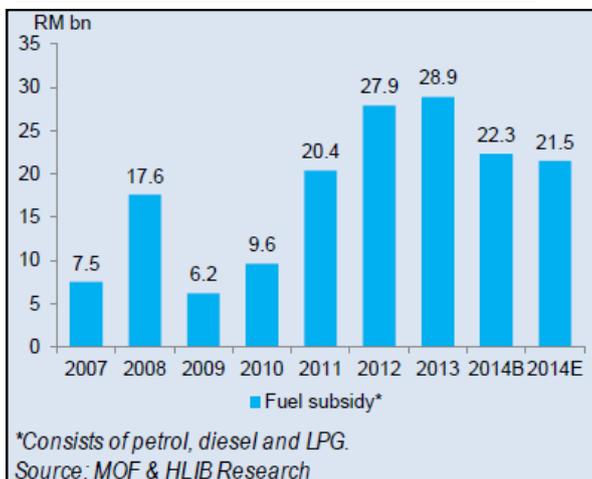
The government reduced fuel subsidies by 20 sen per litre for RON95 and diesel from October 2, 2014.

This effectively raised the prices of RON95 by 9.5% to RM2.30 per litre, and diesel by 10% to RM2.20 per litre.

The announcement came shortly after it was reported that the targeted fuel subsidy system (that is planned to be implemented in the 4Q2014) might not be ready until after 1Q2015.

The government announced last year that the 20 sen price hike in September 2013 would yield subsidy savings of RM3.3 billion.

Total Fuel Subsidies By The Government



It is believed the savings from this latest hike would also be similar assuming that the volume of petrol consumed remains roughly constant.

However, the total fuel subsidy bill should be smaller because the actual market price of RON95 petrol and diesel has declined by 5.5% and 10% respectively relative to the levels in September 2013.

The fuel price hike ahead of the 2015 Budget announcement is expected as the government continues to forge ahead along the path of subsidy rationalisation in keeping with its fiscal transformation efforts.

The impact on inflation will likely be similar to the 20 sen price hike back in September 2013 when a 4.8% month-on-month (m-o-m) increase in the transport sub-category in CPI was recorded.

However, it is expected that inflation to remain fairly stable at around 3% in 4Q2014 and 1Q2015.

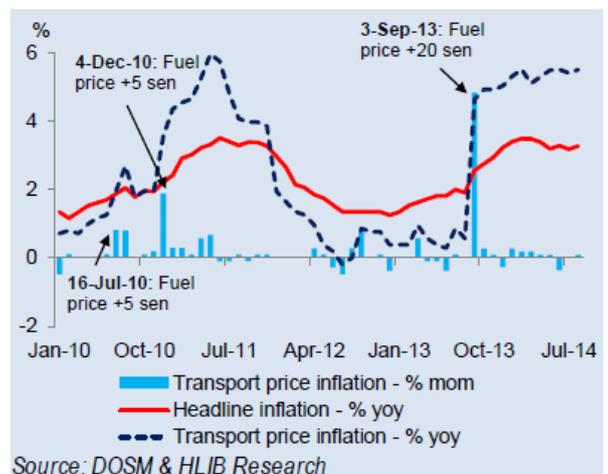
When the high base effects from higher petrol prices, increase in electricity tariffs and sugar subsidy cuts start to dissipate and the Goods & Service Tax (GST) kicks off in Apr 2015, inflation is expected to temporarily spike to above 4% in 2Q2015 and 3Q2015.

Thereafter, we expect inflation to moderate from 4Q2015 onwards.

Inflation is forecasted to be in the range of 3.2% in 2014 and 4.0% in 2015, which already imputed the effects of a fuel price hike in 4Q2014.

Given that the main source of the expected accelerated inflation in 2015 is cost-push that is expected to be transitory and will largely dissipate by 2016, BizWatch are in the opinion that Bank Negara Malaysia will not react by hiking interest rates further in 2015.

Impact Of Fuel Price Hikes on Inflation



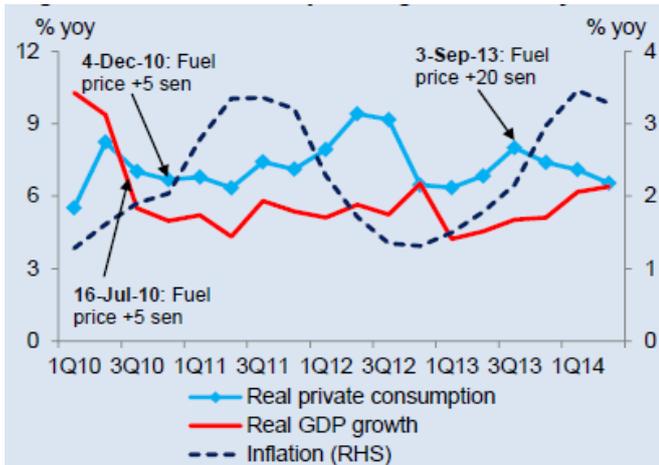
Fuel	Unit	Actual market price	Before price hike (Sep 14)		After 20 sen price hike (Oct 14)	
			Price paid by consumer	Government's subsidy	Price paid by consumer	Government's subsidy
RON95	RM/litre	2.58	2.10	0.48	2.30	0.28
Diesel	RM/litre	2.52	2.00	0.52	2.20	0.32

SOURCES: FISCAL POLICY COMMITTEE PRESS STATEMENT



Subsidy rationalisation on track

Consumer Spending Vs. Subsidy Cut



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The subsidy rationalisation plan is basically on track as the government is committed in reducing its fiscal debt to minus 3% by next year.

Currently, fuel prices in Malaysia is the lowest compared to Thailand and Indonesia. Indonesia is expected to cut subsidy on fuel by year end.

Based on the past experience and trend, it is noticeable that the inflation rate will shoot up after the hike in the petrol prices.

The last hike of petrol of 20 sen in September 3, 2013 have witnessed the inflation rate increased to above 3% before tapering down to below 3%, with private consumption declining as a result of higher prices of other goods in relation to the increase of petrol prices.

BizWatch is of the view that the similar trend will happen to the inflation rate and private consumption pattern in view of the recent petrol prices hike on October 2, 2014.

Nonetheless, with the recent report of the Household Income Survey 2014 that stated that the average income of Malaysian in 2014 stood better at RM5,900 which is above the average income level of RM5,000 reported in the last two years, BizWatch is of the opinion that the hike in the petrol prices will not have a severe impact on consumer spending in Malaysia.

Moreover, the ratio of wages to the GDP in Malaysia has grown to 33.6% in 2013 from 29.3% in 2008 which is a good sign that wages in Malaysia is on the rise.

Thus, as Malaysia is committed to become a high income nation by 2020, the ratio of wages to GDP for Malaysia is targeted at 40% towards the ratio in most developed countries such as Australia (48.7%) and Norway (51.3%).

Education : The World University Rankings

Two popular sites used by students, academics, university leaders, industry and government to compare university rankings are the **Times Higher Education (THE) World University Rankings** and the **QS World Rankings**. Both list the best global universities and judge world class universities across all of their core missions - teaching, research, knowledge transfer and international outlook.

The top universities under THE rankings employ 13 carefully calibrated performance indicators to provide the most comprehensive and balanced comparisons available.

World University Rankings 2014 (Top 10)

Rank ▲	Institution	Location	Overall score <small>change criteria</small>
1	California Institute of Technology (Caltech)	United States	94.3
2	Harvard University	United States	93.3
3	University of Oxford	United Kingdom	93.2
4	Stanford University	United States	92.9
5	University of Cambridge	United Kingdom	92.0
6	Massachusetts Institute of Technology (MIT)	United States	91.9
7	Princeton University	United States	90.9
8	University of California, Berkeley	United States	89.5
9	Imperial College London	United Kingdom	87.5
9	Yale University	United States	87.5

While no Asian universities made it to the top 10 position, THE noted that 2014 is a strong year for Asian varsities, with 24 universities from the Asian continent making it to the top 200, compared to 20 last year.

Japan's University of Tokyo maintained its status as Asia's number one and Japan retained its position as Asia's top nation for world-class institutions, with five of the top 200 universities.

But of Japan's five universities, four lost ground, the report said.

The National University of Singapore this year closed in on Tokyo's position as the number one in Asia, moving up one place into 25th.

Singapore's other top-200 university, Nanyang Technological University also continued its upward climb from 76th to 61st spot.



THE's Asian University Rankings 2014 (Top 10)

Rank ▲	Institution	Location	Overall score	change criteria
1	The University of Tokyo	Japan	76.4	
2	National University of Singapore (NUS)	Singapore	72.4	
3	The University of Hong Kong	Hong Kong	65.3	
4	Seoul National University	Republic of Korea	65.2	
5	Peking University	China	65.0	
6	Tsinghua University	China	63.5	
7	Kyoto University	Japan	63.2	
8	Korea Advanced Institute of Science and Technology (KAIST)	Republic of Korea	62.9	
9	Hong Kong University of Science and Technology	Hong Kong	62.5	
10	Pohang University of Science and Technology (Postech)	Republic of Korea	61.7	

It is interesting to note that Malaysian public universities, Universiti Malaya (UM) and Universiti Kebangsaan Malaysia (UKM) did not take part in the THE World University Rankings exercise.

Instead, both universities and other public universities participated in the **QS University Rankings 2014-2015** which saw 5 Malaysian universities ranked among top 400 universities worldwide.

In the QS University Rankings 2014-2015, Malaysia's 5 public research universities improved their ranking compared to 2013-2014 list. They are: Universiti Malaya (151), Universiti Kebangsaan Malaysia (259), Universiti Teknologi Malaysia (294), Universiti Sains Malaysia (309) and Universiti Putra Malaysia ((376).

QS University Rankings (World) 2014-2015

1	100.0		Massachusetts Institute of Technology (MIT)
2	99.4		University of Cambridge
2	99.4		Imperial College London
4	99.3		Harvard University
5	99.2		University of Oxford
5	99.2		UCL (University College London)
7	98.3		Stanford University
8	97.1		California Institute of Technology (Caltech)
9	96.6		Princeton University
10	96.5		Yale University

QS University Rankings (Asia)

1	100.0		National University of Singapore (NUS)
2	99.5		KAIST - Korea Advanced Institute of Science & Technology
3	99.3		University of Hong Kong
4	98.7		Seoul National University
5	98.4		The Hong Kong University of Science and Technology
6	97.4		The Chinese University of Hong Kong
7	97.3		Nanyang Technological University (NTU)
8	96.3		Peking University
9	96.1		Pohang University of Science And Technology (POSTECH)
10	95.9		The University of Tokyo

In the QS ranking for Asian universities, National University of Singapore is ranked no. 1 while the University of Tokyo is ranked at 10th position.

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The improvement of our 5 public universities on the QS University Rankings 2014-2015 is an achievement. However, with our best ranked university, Universiti Malaya at No. 151 and National University of Singapore at No, 24 in the QS World University Rankings, our universities have a long way to go to become top 100 in the world. Much work is needed to continue the progress to improve academic excellence and to be relevant to the industry..

Many Asian universities are already making their mark in world ranking especially universities from Japan, Singapore China, Korea. National University of Singapore which started as part of Universiti Malaya ranked high on both the THE and QS list. And even younger and smaller universities such as University of Macau succeeded to make onto the top 300 in the THE World University Rankings for 2014. We would like to see Malaysia moving forward to be amongst the top universities in Asia.

From the parents' perspective, the emergence of top Asian universities in World Rankings provide more choices for their children's education. Malaysian parents have always favour at United Kingdom, Australia and USA as the main education destinations.

For parents opting for their children to study locally, besides public universities, there are many good private universities, especially branch campus of renowned universities in Malaysia

In Iskandar Malaysia, we have 3 foreign branch campuses out of the seven foreign branch campus in Malaysia which are ranked within the top 200 universities globally. They are the Newcastle University Medicine Malaysia (medicine), University of Southampton Malaysia Campus (engineering) and University of Reading Malaysia (built environment, business & law, sciences). Besides these, there are also other private universities/ university colleges/ colleges in EduCity and Bandar Seri Alam, City of Knowledge which are offering niche programmes such as shipping management, art & design, cinematic arts, amongst others at competitive prices.

In the public university space, Universiti Teknologi





10 October: The Prime Minister, YAB Dato' Sri Najib Tun Abdul Razak unveiled the 2015 Budget, with the theme "Budget 2015: People Economy".

The Budget focused on seven main strategies:

- Strengthening economic growth
- Enhancing fiscal governance
- Developing human capital and entrepreneurship
- Advancing Bumiputera agenda
- Upholding role of women
- Developing national youth transformation programme, and
- Prioritising well-being of the *rakyat*

Economics and Investment Highlights

- ◆ Malaysia's 2014 GDP for the first 6 months at 6.3% is the highest among ASEAN countries
- ◆ Malaysia's whole year GDP for 2014 is now revised to 5.5% - 6.0% (revision from 4.5% - 5.5% previously)
- ◆ The Federal Government is committed to lower the fiscal deficit to 3.5% by 2014 and to 3.0% by 2015.
- * Allocation of RM273.9 billion with RM223.4 billion for Operating Expenditure and RM50.5 billion for Development Expenditure.

In the context of Iskandar Malaysia, the 2015 Budget will bring about several positive effects as in the following:

- * Various measures introduced to further develop and invigorate the services sectors through the Services Sector Blueprint. As the Services Sectors are the main focus sectors for the growth and development of Iskandar Malaysia, policies and strategies to enhance these sectors are positive to Iskandar Malaysia.
- * Measures to improve the education sector and strategies to enhance technical and vocational training are aligned with our strategies to develop the education sector.
- * The focus of the allocation to develop talent is aligned with the strategies set out in our Education Sector to enhance the capability and capacity of TEVT (public and private institutions) in Iskandar Malaysia and to encourage industry ready talent to meet the demand of the industries in Iskandar Malaysia.
- * Initiatives to further develop the Small and Medium Enterprises (SMEs) through SME Investment Partner programme, allocation of softloan for automation and modernization, funds to TEKUN, all of which will help to build capacity and capability of our SMEs especially in the advent of the ASEAN Economic Community in 2015
- * Proposals to encourage house ownership especially affordable housing which will help address the growing concern of lack of affordable housing for the lower income group.

- * New incentives for industrial area management which can help to open up more new industrial areas with better features and well managed facilities to provide better value propositions to investors
- * A renewed focus on youth and programmes for youth where we could position and align our Iskandar Youth HAB to the new proposal of IMalaysia Youth City.
- * Measures to empower women in the workforce and other social amenities which can contribute to our social inclusion programmes

The Government remained committed on its plan to reduce the fiscal deficit with firm GST implementation plan which now include an expanded list of exempted and/or zero rated items on essential goods/products. While the details of the petrol rationalization scheme was not released, YAB Prime Minister assured the Rakyat of a new mechanism for providing petroleum subsidy which will take into consideration the need of lower income group.

Moving towards 2015, we can also expect a small increase in inflation due to the implementation of GST in April. Consumption will be privately driven with the payment of BR1M to lower income groups and book vouchers to students. At the same time, the commencement of the major infrastructure works (roads, highways, Second MRT line, LRT 3 Project) will contribute to strong domestic investment in 2015.

- Implementation of GST on 1 April 2015
- Expansion of list of essential goods not subject to GST
- Corporate income tax be reduced from 25% to 24% effective from Year of Assessment (YA) 2016
- Personal income tax be reduced by 1% to 3% with the expansion of the category of maximum income subject to income tax from exceeding RM100,000 to exceeding RM400,000, effective from YA 2015
- Extension of tax incentive for medical tourism (for applications received by MIDA from 1 Jan 2015 to 31 Dec 2017
- BR1M increased by RM300, RM200 and 50 depending on category

Watch out for the detailed commentary on the 2015 Budget and its impact to Iskandar Malaysia in our next issue of IM BizWatch

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