

RM100 aid 'short-term consumption booster but not major market mover'

■ BY DEEPALAKSHMI MANICKAM
sunbiz@thesundaily.com

PETALING JAYA: Prime Minister Datuk Seri Anwar Ibrahim's announcement of a one off RM100 cash handout has lifted sentiment in consumer-related stocks, but economists caution that the impact on actual spending and equity performance may be fleeting, with deeper structural challenges still weighing on the economy.

The initiative, worth RM2 billion, is designed to provide relief to households and channel spending into local goods and services. However, views among analysts and economists are mixed – some highlight modest gains for low income groups and small businesses, while others warn the measure may do little to shift broader market fundamentals.

Center for Market Education chief executive Dr Carmelo Ferlito was blunt in his assessment, describing the handout as neither transformative for household consumption patterns nor meaningful for equity markets.

"While the measure is costly at the aggregate level, it is not a needle mover at the micro level," he

told *SunBiz*.

"I struggle to see how RM100 can affect consumption patterns in any sensible way. Economically, it hardly has any logic behind it and appears to have more of a political flavour."

Ferlito also raised concerns over the potential inflationary effects of injecting cash into the economy, particularly if such policies become frequent.

"Monetary injections are the real cause of inflation, a permanent and generalised increase in prices due to the quantity of money growing faster than economic output," he said, adding that such measures risk masking structural issues in household income and consumer demand.

From a sectoral perspective, Dr Ida Yasin, economist at Universiti Putra Malaysia, said the RM100 payment is more likely to generate a temporary boost for retailers and wholesalers rather than driving sustained gains in the stock market.

"This voucher is to boost demand for goods and services in Malaysia, not so much the demand for stocks," she said.

"Retail and wholesale demand could rise temporarily, especially in

essentials like food and household goods, but most stock market movements depend on business fundamentals."

Ida stressed that the handout's impact would likely fade after its expiry in December, underscoring the short term nature of the initiative.

"It benefits sellers, wholesalers and producers, from vegetables to chicken, but the up and down movements in the stock market are quite normal and not directly tied to such measures," she said.

In contrast, Prof Geoffrey Williams, economist and founder of Williams Business Consultancy, sees value in the handout for low income households, noting its multiplier effect on domestic consumption.

"RM100 does not sound like much, but it is a 6% boost for someone on minimum wage of RM1,700. For a family of four adults in the B40 group, that's about a 6–7% rise in monthly income," he explained.

Williams estimated the RM2 billion programme could generate RM6 billion in consumption through multiplier effects, providing a small but notable stimulus to economic growth in the second half of the year.

"This will particularly help SMEs in

local communities. It won't harm the fiscal deficit because it's funded by subsidy rationalisation savings," he said.

Williams also suggested the initiative could act as a pilot for a more ambitious social welfare reform.

"If this evolved into a monthly universal basic income, it could be a game changer for social policy. Universality reduces costs and complexity, and future versions could be made more progressive," he added.

Despite the initial rally in consumer-linked counters on Bursa Malaysia, analysts caution that sentiment-driven gains may not be sustainable without underlying earnings growth.

Ferlito pointed to external headwinds, including global political tensions and slower economic momentum, as key drivers of investor caution.

"What emerges here is the concern about the economy slowing down due to international tensions, both political and economic," he said, warning against overestimating the handout's role in market performance.

Ida echoed this, noting that

investors should watch core consumption data, such as household spending trends within GDP, to gauge any lasting effects.

"Most of the time, it depends on fundamentals rather than short-term cash injections," she said.

With the cash handout set to conclude by year end, attention now turns to whether Malaysia will adopt similar measures in Budget 2026.

Williams believes the government should study the current initiative's outcomes to guide future policy design.

"The most important thing is to learn lessons about the impact so that Malaysia can move to a regular monthly payment. Hopefully this can be announced in Budget 2026," he said.

For now, economists agree that while the RM100 handout provides short-term relief and a modest consumption boost, it does little to address structural income gaps or long term growth prospects for consumer stocks.

As markets digest the announcement, the focus will likely shift back to corporate earnings, inflation trends and global economic conditions heading into 2026.