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Bernama - Economy Seeing Green Shoots Since June 2020 - Tengku
Zafrul

☐ Friday, Aug 14 2020☐ ☐

PUTRAJAYA, 14 AUG -- The Malaysian economy has started to show green shoots since June 2020 with gradual opening of businesses since May 4, 2020 after being battered by the COVID-19 pandemic, said Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz.

He said the brunt of the lockdown was felt in April 2020 when the gross domestic product (GDP) contracted a whopping 28.6 per cent year-on-year (y-o-y).

Malaysia imposed a Movement Control Order (MCO) on March 18, 2020, which was eventually eased to Conditional MCO on May 4 and Recovery MCO effective June 10 to Aug 31, 2020, during which the economy was gradually opened up.

"However in May 2020, it (GDP) was -19.5 per cent y-o-y and in June 2020, it was a small contraction of 3.2 per cent y-o-y, which was a sharp upswing as businesses had started operating.

"In cumulative, the second-quarter GDP dipped 17.1 per cent as the country went into a lockdown with strong enforcement to stem the spread of the COVID-19 disease.

"We are seeing a V-shape recovery starting May 2020, (hence) June is a good barometer to show the economy is improving," Tengku Zafrul told Bernama and TV3 today.

He said in the current scenario, assessment on a month-on-month basis matter.

For instance, the unemployment rate in June 2020 declined to 4.9 per cent as compared to 5.3 per cent in May 2020, he added.



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The Industrial Production Index rebounded 26.2 per cent month-on-month in June 2020 (-0.4 per cent y-o-y) compared to May 2020 (-21.6 per cent y-o-y).

Sale of wholesale and retail trade grew 21.8 per cent in June compared with the previous month.

Malaysia's manufacturing Purchasing Managers' Index (PMI) recovered strongly from its low this year of 31.3 in April to above 50.0 in June and July, indicating that the manufacturing sector have moved past the MCO period of contraction.

Consumer spending has also improved. In fact, Malaysia recorded a 6.3 per cent y-o-y improvement in passenger car sales for June 2020.

Bank Negara Malaysia (BNM) has revised its 2020 GDP forecast to -5.5 to -3.5 per cent from -2 to 0.5 per cent previously, as the initial assumption was based on a lockdown period of only four weeks instead of seven weeks.

The economy is expected to recover and post a growth of 5.5 per cent to 8.0 per cent in 2021.

The Prihatin Rakyat Economic Stimulus Package (PRIHATIN) and National Economic Recovery Plan (PENJANA) are expected to contribute over three per cent to the GDP growth in 2020.

In the United Kingdom, the GDP suffered -21.7 per cent in Q2 2020 while France's GDP dipped -13.8 per cent in the same period.

Regionally, Singapore registered a decline of 13.2 per cent in its Q2 2020 GDP, followed by the Philippines which saw a contraction of 16.2 per cent, while Indonesia recorded a 5.3 per cent decline.

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Elaborating on the recovery phase in Malaysia, Tengku Zafrul said exports in June 2020 rebounded 8.8 per cent from -25.5 per cent in May 2020.

Going forward, the finance minister said the growth momentum seen in June is expected to sustain for the remaining months of 2020.

"We hope the economy will continue to improve in the third and fourth quarters of the year," he said.

For the 2021 outlook, Tengku Zafrul said the International Monetary Fund (IMF) has projected the Malaysian economy to grow at an average of 6.3 per cent and the World Bank, 6.9 per cent.

Meanwhile, in a statement, Tengku Zafrul said Malaysia's financial system fundamentals are still strong.

"Unlike during the Global Financial Crisis in 2008–2009, the Malaysian banking system entered this challenging episode from a position of strength.

"The banking system's capital buffer, at RM121 billion, is more than three times the level during the Global Financial Crisis," he said.

Ample liquidity, coupled with sound asset quality, and a robust risk management framework have continued to support lending activities and the overall economy, he added.

Tengku Zafrul said the government remained focused on its 6R strategy (Resolve, Resilience, Restart, Recovery, Revitalise and Reform) to steer the economy towards recovery.

"We are now in the Recovery phase and are in the midst of preparing for the Revitalise phase, which will be presented in the upcoming Budget



2021 announcement, scheduled for November 2020.

Nevertheless, he said given that Malaysia is an open economy, and uncertainties and volatility still exist in the external environment, the government remained cautiously optimistic and committed to ensuring sufficient fiscal space to manage future challenges.

"Malaysia's economic and financial system fundamentals remain sound, and the country has proven its resilience time-and-time again in the face of external volatility and adversity," he added.

Challenges aside, Tengku Zafrul said the government will continue to support the people, businesses and the markets to enable as many economic sectors as possible to rebound well when global growth improves in 2021.

-- BERNAMA

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