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Bernama - Time for Expansionary Policy - Tengku Zafrul

☐ Friday, Mar 27 2020☐ ☐

KUALA LUMPUR, 27 March -- It is time for an expansionary fiscal policy to safeguard the people and the economy that have been affected by the novel coronavirus 2019 (COVID-19) pandemic, Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz said today.

Malaysia is not isolated in this predicament; every country is injecting money into their economy in facing this unprecedented challenge brought about by the outbreak, he said.

"There is only so much monetary expansion can do. So, an expansionary fiscal policy is key to helping the people and economy and when you help the people and the industry, the economy will improve," he told Bernama in an exclusive interview at the Ministry of Finance in Putrajaya today.

To-date Malaysia recorded 2,161 COVID-19 cases and the cumulative death toll of 26.

Globally, there are more than 460,000 confirmed cases in about 200 countries. The death toll has surpassed 21,000.

The government is imposing a four-week movement control order starting on March 18. Globally, countries have either opted for partial lockdowns like Malaysia or full lockdown to control the spread.

The banker-turned-minister said the expansionary policy doesn't mean the government is going beyond its means although the fiscal deficit for the year is forecast to be four per cent.

"Given that what's happening today (globally) with the economic stimulus and slowdown in the economy combined, we are assuming we will end up with around 4.0 per cent deficit from the earlier 2020 Budget deficit projection of 3.2 per cent (of the gross domestic product)," he said.

"(But) we are focused on fiscal discipline. Overall, direct fiscal injection (in the stimulus package) is RM25 billion; the others are coming from government agencies and related parties within government ecosystem," he said in giving the breakdown of the RM250 billion "Prihatin Rakyat" economic stimulus package announced earlier.

Of the total - which includes the RM20 billion package announced previously -- the government will channel RM128 billion towards safeguarding the people's welfare, RM100 billion to support businesses


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including the small and medium enterprises (SMEs), and RM2 billion to strengthen the national economy.

"The good thing about the country is our fiscal position is very strong.

"We are tapping money basically from the fund we have within the government and some borrowings, and all borrowings are local because there is ample liquidity," he said.

Tengku Zafrul, who took over the ministerial portfolio just 17 days ago, also pointed out that no borrowings are involved to fund operating expenditure.

"Our focus is to manage the economy in a responsible way. One thing we are very focused on is fiscal discipline," he said.

This, combined with a very strong liquidity position, ensures the government is able to fund the stimulus package.

Meanwhile, Tengku Zafrul said there is no need to calibrate the 2020 Budget just yet.

"Some of the big projects must continue, even more so now to drive the economy. To accelerate this, we told all our GLCs (government-linked companies) to continue spending and accelerate.

"If we combined all the capital expenditure (capex) of the GLCs, that's about RM30 billion of capex to drive and stimulate the economy," he said.

Tengku Zafrul also noted that while the fiscal position is still okay, the government needs to show results in this capital injection.

The key is on the execution and delivery -- giving the money to the right people for them to spend the money and stimulate the economy .

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The Ministry of Finance through the Unit for the Implementation and Coordination of National Agencies on the Economic Stimulus Package (Laksana) will monitor and ensure that the RM250 billion PRIHATIN package is accessible to all.

This package is also focused on job preservation and providing enough support for the next six months.

For all this to work, we just need to make sure that everybody stays home for the next two weeks, he concluded.

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