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Malaysia's 2020 GDP growth is better than expected – Tengku Zafrul

PRESS CITATIONS | 11 FEBRUARY 2021



KUALA LUMPUR, Feb 11 – Malaysia's gross domestic product (GDP) growth for 2020 is better than expected and the country's economy has shown various signs of recovery, said Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz.

Malaysia's GDP contracted 3.4 per cent in the fourth quarter of 2020 (Q4 2020) amid a significant increase in COVID-19 infections, bringing the overall performance of the year to -5.6 per cent following global restraint order and border closures.

"This (2020 GDP) contraction is better than the initial projection by international organisations such as the International Monetary Fund (-5.8 per cent), the World Bank (-5.8 per cent) and the Asian Development Bank (-6.0 per cent)," he said in a statement on Thursday.

Tengku Zafrul said the government's swift move to implement the initiatives under the four economic stimulus packages amounting to RM305 billion -- or 20 per cent of the GDP -- is estimated to have contributed four

percentage points to the economic growth for 2020.

He said the country's fiscal discipline, sustainable medium-term growth prospects as well as the effectiveness of the government's measures to curb the spread of the COVID-19 epidemic had been recognised by the international credit rating agency, Moody's Investors Service Inc (Moody's).

Last month, Moody's affirmed Malaysia's local and foreign currency long-term issuer and local currency senior unsecured debt ratings at A3 and maintained its stable outlook.

"Overall, Malaysia's financial position and prospects remain strong despite the challenging global credit rating assessment cycle throughout 2020," he said.

Commenting further, Tengku Zafrul said the GDP decline of 1.7 per cent in December 2020 was better than the 4.0 per cent decline the previous month.

"This reflects the effectiveness of government's proactive measures under the KITA PRIHATIN economic stimulus package, which were channelled in Q4 2020, such as the PRIHATIN Special Grant 2.0, Wage Subsidy Programme 2.0 (WSP 2.0) and Bantuan PRIHATIN Nasional (BPN) 2.0," he said.

The unemployment rate had also declined to 4.8 per cent for November and December 2020, compared to the highest unemployment rate of 5.3 per cent in May.

He noted that although the implementation of the Conditional Movement Control Order in December had affected labour market activity, WSP 2.0 and BPN 2.0 had helped alleviate the financial constraints of the people and businesses.

Additionally, during Q4 2020, the manufacturing sector recorded growth of 3.0 per cent year-on-year (y-o-y) -- offsetting the contraction in other sectors -- and was supported by a better external trade environment where the value of exports of goods increased by 8.6 per cent y-o-y over the same period.

During the quarter, the country's total trade expanded to RM483 billion from RM460.9 billion in Q3 2020.

The minister noted that the country has maintained its trade surplus for 23 consecutive years, which stood at RM59.9 billion in Q4 2020 compared with RM60.3 billion in Q3 2020.

Total foreign direct investment (FDI) also recorded a net inflow of RM6.1 billion for the same period, while net financing continued to grow by 4.4 per cent during Q4 2020 through increased issuance of corporate bonds.

"Additionally, working capital requirements, as well as the purchase of passenger cars and residential properties, continue to increase loan disbursements to the people as well as businesses, reflecting a good recovery in demand," said Tengku Zafrul.

Moving forward, he said the enforcement of the Movement Control Order (MCO 2.0) in all states except Sarawak from Jan 13, which had been extended to Feb 18, will definitely have an impact on the country's GDP growth in Q1 2021.

"However, the estimated loss of RM700 million a day is not as severe as the impact from MCO 1.0, which cost the economy an estimated RM2.4 billion a day.

"Furthermore, implementation of Budget 2021 initiatives, as well as the government's proactive response through the PERMAI Assistance Package worth RM15 billion, are expected to mitigate the impact of MCO 2.0," he said.

He added that the government is confident that the systematic and effective implementation of the National COVID-19 Immunisation Programme will encourage the re-opening of various economic sectors, restore consumer sentiment, as well as boost Malaysia's economic growth and resilience.

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