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MCO 3.0 not expected to have significant impact on economic growth

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KUALA LUMPUR, May 11 -- The implementation of the third Movement Control Order (MCO 3.0) nationwide is not expected to have a significant impact on the country's economic growth as almost all economic sectors are allowed to remain operational.

Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz said the closure of all economic sectors would be more detrimental for the vulnerable groups.

"Shutting down all economic sectors like the way it was done during MCO 1.0 will see unemployment reaching seven per cent (or more than one million unemployed persons), mostly affecting the self-employed, youths, women, as well as the low skilled/low-income groups.

"Apart from unemployment, the self-employed and about 2.8 million micro, small and medium enterprises (SMEs) would also be more at risk of experiencing a reduction in incomes due to the economic closure," he said in a statement today.

Tengku Zafrul said due to the implementation of MCO 3.0, several segments of the services sector which are based on physical interaction -- including tourism -- are expected to continue to be affected due to the interstate travel bans and restrictions on social activities.

However, he said the government is confident that the country's gross domestic product (GDP) will continue to grow at the projected rate of 6.0 per cent to 7.5 per cent, in line with the estimates from the International Monetary Fund (6.5 per cent), World Bank (6.0 per cent) and the Asian Development Bank (6.0 per cent).

"Additionally, the country's economic recovery will also be supported by the economic growth of major trading partners such as Singapore which recorded a growth of 0.2 per cent, China (18.3 per cent) and the United States (0.4 per cent) in the first quarter of 2021 (Q1 2021).

"The implementation of the National COVID-19 Immunisation Programme will also drive the reopening of various economic sectors and consumer sentiment recovery, and subsequently boosting the Malaysian economy's growth and resilience," he said.

The minister said the government remains aware that the country's economic growth is still facing risks and uncertainties in the ever-changing domestic and global economic environment.

The risks include the prevalence of a new variant of COVID-19 globally, leading to the re-implementation of tighter containment measures which would subsequently affect global economic growth; as well as disruption of COVID-19 vaccine supply that would impede efforts to achieve herd immunity.

Commenting on the Q1 2021 GDP results announced by Bank Negara Malaysia (BNM) and the National Statistics Department (DOSM) today, Tengku Zafrul said the results reflected the encouraging economic performance.

He added that the results show that the country continues to move towards recovery, in spite of the implementation of MCO 2.0 during the period.

The GDP had contracted by -0.5 per cent year-on-year (y-o-y) in Q1 2021, a much smaller contraction compared to -3.4 per cent recorded in Q4 2020.

"GDP growth in Q1 2021 was driven by the manufacturing sector which grew by 6.6 per cent y-o-y (Q4 2020: 3.0 per cent) as well as the agriculture sector which expanded by 0.4 per cent (Q4 2020: -1.0 per cent) y-o-y.

"Overall, all economic sectors in the country have shown recovery signs as evidenced by the smaller contraction compared to the previous quarter," he added.

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