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Fitch's downgrade won't stifle efforts to revive economy in 2021 – Tengku Zafrul

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KUALA LUMPUR, Dec 15 – Fitch Ratings' downgrade for Malaysia's credit rating from A- to BBB+ will not stifle efforts towards economic recovery in 2021, said Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz.

"The Budget 2021 initiatives will continue the recovery momentum and are expected to contribute to the gross domestic product (GDP) growth target of between 6.5 per cent to 7.5 per cent next year.

"Many have often said this projection is too optimistic. However, Fitch itself has projected the local economy to grow 6.7 per cent, in line with Malaysia's own projection.

"Other institutions such as the IMF (International Monetary Fund) have forecast a growth of up to 7.8 per cent, which is higher than the government's projection.

"This generally shows confidence in the capabilities of the Malaysian economy to bounce back," he said in response to a question from Lim Guan Eng (PH-Bagan) during the Minister's Question Time at the Dewan Rakyat, today.

Lim wanted to know what measures taken by the government to address Fitch's downgrade.

Tengku Zafrul said since Fitch's announcement, there has been no knee-jerk reaction from the market.

"In this regard, the FBM KLCI and the ringgit remained stable and we recorded a high demand (Bid to Cover Ratio) which was 2.6 times more than the value of the offer for the 10-year MGII bonds (Malaysian Government Investment Issues) issued last week.

"And yesterday, I announced that eight venture capital fund managers from the United States, South Korea, China, Indonesia and Singapore have agreed to invest in Malaysian start-up companies with an investment value of up to RM1.57 billion.

"In simple words, investors' confidence in the country's long-term capital market remains strong, " he said.

On good governance practices, Tengku Zafrul said any appointment of members the board, including politicians, is made on the basis of suitability in terms of qualifications, experience and expertise.

It also takes into account the policy of inclusion and diversity under the Malaysian Code of Corporate Governance 2017, he added.

"Besides that, based on the status of the company, political appointments need to go through various screenings such as by Bursa Malaysia, Securities Commission, Bank Negara Malaysia, the Malaysian Anti-Corruption Commission, the Royal Malaysian Police, and others.

"I would like to emphasise that the government is committed to ensuring best governance practices at all times are upheld," said Tengku Zafrul.

He said once the economy recovers, efforts to strengthen the country's economy will continue.

"The government is committed to implementing fiscal consolidation and sustainability measures based on the Medium-Term Fiscal Framework, as well as the enactment of a Fiscal Responsibility Act which aim to improve fiscal management and reporting, thus further improving transparency and good governance.

"This includes lowering the national debt level or fiscal deficit shouldered and inherited by the current government," he said.

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