



PRESS RELEASE

Malaysian GDP Expected to Rebound by 6.0% to 7.5% in 2021

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MEDIA STATEMENT

MINISTER OF FINANCE MINISTRY OF FINANCE MALAYSIA

The Malaysian GDP is expected to expand between 6.0% – 7.5% in 2021 on the back of stronger external demand and improving domestic activity, according to Bank Negara Malaysia (BNM)'s *Economic and Monetary Review 2020* released today. This is consistent with estimates by the World Bank (6.0%) and the IMF (6.5%), both of whom expect Malaysia to achieve one of the highest economic growth rates in the region.

Most importantly, the economy is projected to return to 2019 pre-pandemic levels by mid- 2021, supported by, amongst others, improving external demand amidst a technology upcycle, more targeted containment measures, a well-structured COVID-19 vaccine rollout, a gradual recovery in labour market conditions, higher manufacturing and commodity production as well as the continuation of public infrastructure projects such as MRT2, LRT3 and JENDELA.

We also believe that fiscal measures have and will continue to play a crucial role in our response to the COVID-19 pandemic in securing Malaysia's post-pandemic recovery, as detailed in the Ministry of Finance's *Fiscal Updates 2020* report released today. The Government's swift response in introducing various policy measures in 2020

through four stimulus packages amounting to RM305 billion (or 20% of GDP) were aimed not only at cushioning the impact of the crisis, but also ensuring that SMEs and the vulnerable were adequately supported. Direct aid such as *Bantuan Prihatin Nasional* (RM16.1 billion), Wage Subsidy Programme (WSP - RM13.0 billion), PRIHATIN Special Grants for SMEs (RM2.5 billion), and small-scale projects (RM2.9 billion) helped save jobs and businesses, and limited GDP contraction to 5.6% for 2020.

These fiscal and other policy measures, including provisions under Budget 2021, the PERMAI Assistance Package and the PEMERKASA programme, have played and will continue to play an important role in curbing the COVID-19 pandemic to ensure the country's post-COVID-19 recovery.

There have been various encouraging signs of economic recovery, including:

1. **Effective containment of the third wave of COVID-19 cases in the country**, with daily cases averaging approximately one thousand last week from the peak of more than five thousand cases daily in end-January.
2. **Structured and systematic implementation of the National COVID-19 Immunisation Programme (NIP)**, where Phase 1 was completed ahead of time and above target. Phase 2, scheduled to begin on 19 April, is also on track.
3. **Encouraging signs in the labour market which is expected to support the recovery in income levels and private consumption**. The FMM-MIER survey announced in early March indicated that there have been more jobs in the manufacturing sector recently, as shown in the employment index which increased from 82 in the first half of 2020 to 95 in the second half of 2020. In terms of hiring, 15% of employers had increased their employee headcount by end-2020, compared to 6% in the first half of 2020, indicating improved business sentiment.
4. **Improved labour placement rate based on SOCSO's Employment Insurance Scheme tracking**. In March 2021, for every 100 people who lost their jobs, 36 successfully found employment, compared to 2Q2020 (immediately after MCO 1.0), when only 9 managed to find new jobs. We are confident that this data point will improve in the coming months.
5. **Malaysia's exports which increased by 17.6% to RM87.6 billion and imports by 12.7% to RM69.7 billion**, resulting in a trade surplus increase of 41.6% to RM17.9 billion in February 2021.

Moreover, the recent affirmation in Malaysia's sovereign ratings by Moody's and the positive update on Malaysia being retained in the FTSE Russell's World Government Bond Index (WGBI) are testimony to the nation's coordinated response to the pandemic as well as our strong macroeconomic fundamentals and resilience.

6R STRATEGY & 5 FOCUS AREAS FOR 2021 ECONOMIC RECOVERY

We are currently in the fifth stage of the Government's 6R National Economic Recovery Strategy (Resolve, Resilient, Restart, Recovery, Revitalise and Reform). This stage will see the implementation of the RM322.5 billion Budget 2021, the largest in the nation's history, together with the RM15 billion PERMAI Assistance Package and RM20 billion PEMERKASA programme. These will further spur Malaysia's economic recovery by focusing on the following areas:

1. **MANAGING COVID-19** to allow the economy to reopen, premised on the use of data and a more targeted containment approach: Measures under this include beefing up our NIP capacity; ensuring no more blanket MCO and stricter SOP enforcement;
2. **DRIVING ECONOMIC RECOVERY** while continuing to preserve the welfare of the people and affected sectors: This includes facilitating economic recovery at the grassroots level through, for example, implementation of small-scale projects, PRIHATIN Special Grants, Wage Subsidy Programmes and micro credit facilities;
3. **STRENGTHENING NATIONAL COMPETITIVENESS** through, among others, digitalisation, workforce upskilling and enhancing public service delivery;

4. **ENSURING INCLUSIVITY** by addressing inequalities and development gaps within communities and between different regions: women, youth, the disabled, those who lost their jobs and the vulnerable have been given special focus; and
5. **TRANSFORMING THE ECONOMY** towards higher value-added, knowledge-based activities through, among others, the 12th Malaysia Plan and GLC/GLIC Transformation.

Key outcomes that the Government aims to achieve for 2021 include herd immunity by December 2021 (three months ahead of schedule); targeted Enhanced MCO i.e., based on data of specific localities; driving economic recovery by ensuring the opening of all economic sectors, and enhanced SOP enforcement to contain the pandemic.

Our economic recovery is on the right track, and we are confident that the various policy measures undertaken by the Government will contribute to a strong economic rebound in 2021, underscored by our firm commitment to fiscal consolidation in the medium to long term.

YB Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz

Minister of Finance

Ministry of Finance

31 March 2021

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