



**SPEECH BY
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2020 ECONOMIC STIMULUS PACKAGE “BOLSTERING CONFIDENCE, STIMULATING GROWTH & PROTECTING JOBS”

**DATE | TIME | VENUE
27 FEBRUARY 2020 (THURSDAY),
4.00 PM
DEWAN PUTRA, ARAS 3, BLOK UTAMA, BANGUNAN PERDANA PUTRA, PUTRAJAYA**

Assalamualaikum Warahmatullahi Wabarakatuh dan Salam Sejahtera,

1. I wish to officially put on record our appreciation to the doctors, nurses, health workers, Immigration and other front liners protecting Malaysia from the COVID-19 outbreak. The COVID-19 outbreak has been well contained with most of those infected have recovered fully.

2. Eventhough COVID-19 has been well contained, the disease has a significant impact on the global economy and Malaysia.

3. Therefore, the Government will introduce 2020 Economic Stimulus Package to ensure economic risks associated with the outbreak is effectively addressed. Various strategies have been formulated to ensure that Malaysian economy remains on strong foundations.

Ladies and gentlemen,

THE RM20 BILLION ECONOMIC STIMULUS PACKAGE

4. The stimulus package valued at RM20 billion is anchored on three strategies as follows:

Strategy I : Mitigating impact of COVID-19;

Strategy II : Spurring rakyat centric economic growth; and

Strategy III : Promoting quality investments

STRATEGY I: MITIGATING IMPACT OF COVID-19

5. The most immediate economic impact of COVID-19 has been the sharp decline in tourist arrivals throughout the region. Hotels, airlines, travel companies and more broadly the tourism-dependent retail industry have been badly affected.
6. To mitigate the impact, the Government will implement a three-pronged approach – first, to ease the cash flow of affected businesses, second, to assist affected individuals, and third, to stimulate demand for travel and tourism.

EASING CASHFLOW

7. To assist businesses most adversely affected, the Government proposes for a period of 6 months beginning from April until September 2020:

First : To allow deferment of monthly income tax instalment payments for businesses in the tourism sector. In addition, companies affected by the COVID-19 to be allowed to revise their profit estimates for 2020 with respect to monthly income tax instalment payments without penalty;

Second : To provide 15% discount in monthly electricity bills to hotels, travel agencies, airlines, shopping malls, conventions and exhibitions centres;

Third : To exempt Human Resource Development Fund (HRDF) levies for hotels and travel related companies; and

Fourth : To exempt the 6% service tax for hotels. However, this exemption will be made effective earlier, that is from March to August 2020.

8. The Government will also provide financing facilities for affected companies, as follows:

First : Bank Negara Malaysia (BNM) will provide a Special Relief facility worth RM2 billion, particularly in the form of working capital for Small Medium Enterprises (SMEs) at an interest rate of 3.75%; and

Second : Bank Simpanan Nasional (BSN) will allocate a RM200 million in microcredit facility offering an interest rate of 4% to affected businesses. In addition, the approval process for existing loan funds will be further streamlined such as Bank Pembangunan's Tourism Infrastructure Fund of RM1.5 billion.

9. All banks are required to provide financial relief in the form of payment moratorium comprising restructuring and rescheduling loans for affected businesses and individuals. BNM is tasked to ensure that all financial institutions will assist all companies in need without exception.

10. In the spirit of shared responsibility to overcome current challenges, the Government calls on industry players to play their part – for hotels to offer discounts and shopping malls to reduce rentals to their tenants.

11. Malaysia Airport Holdings Berhad (MAHB) will provide rebates on rental for premises at the airport as well as landing and parking charges.

Ladies and gentlemen,

ASSISTANCE FOR AFFECTED INDIVIDUALS

12. The Government acknowledges lower tourist arrivals has negatively impacted those reliant on tourism. The Government will give a one-off payment of RM600 each to taxi drivers, tourist bus drivers, tourist guides and registered trishaw drivers.

13. As a sign of appreciation to those in the front line protecting Malaysia from the contagion, Government staff directly involved in the containment efforts will be eligible for a special monthly critical allowance of RM400 for medical doctors and other medical personnel, as well as RM200 for immigration and related front line staff commencing February 2020 until the end of pandemic.

14. To date, the Ministry of Health has committed RM150 million to purchase the relevant equipment, medicine and consumables in the effort to contain COVID-19 outbreak. The Government will provide the necessary resources to ensure COVID-19 disease is well managed.

HUMAN CAPITAL DEVELOPMENT

15. The Government encourages employers to further invest in raising the productivity of human capital during this economic slowdown period. Towards this, the Government will provide double deduction on expenses incurred on approved tourism-related training. The Government will also provide up to RM100 million on a matching grant basis to HRDF to fund an additional 40,000 employees from the tourism and other affected sectors.

16. The Government will also provide RM50 million to subsidise short courses in digital skills and highly skilled courses. This incentive is expected to benefit 100,000 Malaysians.

17. The Malaysian workers retrenched can rely on the Employment Insurance System (EIS) with a current fund of RM1.1 billion. Furthermore, EIS will increase the claimable training cost from RM4,000 to RM6,000 for the affected sectors. A daily training allowance of RM30 per day will also be provided to trainees under EIS.

STIMULATE TOURISM SECTOR

18. To stimulate tourism industry, the Government will introduce initiatives as follows:

First : personal income tax relief of up to RM1,000 on expenditure related to domestic tourism;

Second : Malaysian will be eligible to digital vouchers for domestic tourism of up to RM100 per person for domestic flights, rails and hotel accommodations for all Malaysians. Additional matching grants for tourism promotion will be provided. An allocation of RM500 million is provided for the vouchers and tourism promotion; and

Third : Relaxation of existing guidelines limiting use of hotels by Government agencies as part of mitigating the reduced demand.

Ladies and gentlemen,

STRATEGY II : CATALYSING RAKYAT CENTRIC ECONOMIC GROWTH RAKYAT'S ASSISTANCE

19. The effects of COVID-19 reverberate beyond the tourism industry. Malaysian businesses, especially exporters are affected by supply chain disruptions involving factories and ports in China.

20. Therefore, the Government will carry out immediate measures to boost local consumption growth to cushion the effect of negative external factors, while protecting local Malaysian jobs. These measures include:

First : the minimum Employees Provident Fund (EPF) contribution by employees will be reduced by 4% from 11% to 7%, with effect from 1 April 2020 to 31 December 2020. This will potentially unlock up to RM10 billion worth of private consumption. Malaysian workers have the option to opt out from the scheme and maintain their contribution rate.

Second : a payment of RM200 to all Bantuan Sara Hidup (BSH) recipients scheduled for May 2020 will be brought forward to March 2020.

Third : an additional RM100 will be paid into the bank accounts of all BSH recipients in May 2020. Subsequently, an additional RM50 will be channelled in the form of e-tunai.

21. To enhance the income of rakyat and reduce cost of living, the Government will undertake the following initiatives:

First : Agrofood facility of RM1 billion will be provided by BNM at an interest cost of 3.75% to promote food production activities to meet domestic and export demand.

Second : RM10 million allocation to FAMA to provide food storage facilities to help reduce food prices.

Third : Grants of RM1,000 to 10,000 local entrepreneurs to promote sale of their products on e-commerce platforms.

Fourth : Allocation of RM20 million to Malaysian Digital Economy Corporation (MDEC) for Perkhidmatan eDagang Setempat (PeDAS) programme to transform Pusat Internet Desa into e-commerce hubs.

RURAL STIMULUS

22. The Government will allocate an additional RM2 billion for the immediate implementation of small infrastructure repair and upgrading projects nationwide especially in rural areas. To ensure that the projects are effectively implemented for the benefit of the rakyat, the allocations will be channelled in partnership with State Governments, local authorities, NGOs and local communities.

23. The projects need to be implemented expeditiously in order to give positive impacts in stimulating economy. To expedite the implementation of all projects, the Ministry of Finance (MoF) will provide special relaxation on financial procedures for the year 2020 as follows:

First : Increase procurement threshold value for balloting from RM50,000 to RM100,000 and for quotations from RM500,000 to RM800,000;

Second : Ensure Ministries channel sufficient allocations to respective implementing agencies by first quarter of 2020. MoF will oversee the compliance to procurement schedule to ensure projects are undertaken on a timely basis.

Ladies and gentlemen,

STRATEGY III: PROMOTING QUALITY INVESTMENTS

24. To bolster business confidence, the Government is committed to sustaining public investments and in particular, expedite in 2020, the tenders and implementation of development expenditure projects.

25. In addition, agencies and Government linked companies (GLCs) will also accelerate planned investment projects for 2020, including:

First : Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC) will open for bids quota of 1,400MW for solar power generation. This is expected to involve RM5 billion of private investments and generate 25,000 jobs;

Second : Malaysian Communications and Multimedia Commission (MCMC) will implement up to RM3 billion on works related to the National Fiberisation and Connectivity Plan (NFCP); and

Third : GLCs such as TNB will invest RM13 billion in 2020, including accelerating projects such as LED street lights, transmission lines and rooftop solar installations.

26. To enhance greater national competitiveness, the Government will promote higher value-added private sector investments through:

First : A Co-Investment fund of RM500 million to be coinvested and matched by private investors on a ratio of at least 1 to 3 which will make the total funds amount to RM2 billion for investment in early-stage and growth-stage Malaysian companies;

Second : waiving of the listing fees by Securities Commission and Bursa Malaysia for one year, for companies seeking listing on Leading Entrepreneur Accelerator Platform (LEAP) or Access, Certainty, Efficiency (ACE) markets, as well as companies with market capitalisation of less than RM500 million seeking listing on the Main Market;

Third : BNM will provide an SME Automation & Digitalization Facility of RM300 million at an interest cost of 3.75%;

Fourth : the Government will provide accelerated capital allowances over a two-year period on expenses incurred on machinery and equipment including ICT;

Fifth : The government will provide a tax deduction of up to RM300,000 on renovation and refurbishment cost; and

Sixth : Import duty and sales tax exemption on importation or local purchase of machinery and equipment used in port operations for 3 years commencing 1 April 2020.

Ladies and gentlemen,

CLOSING

27. In 2003, Malaysia experienced a similar situation with the outbreak of the Severe Acute Respiratory Syndrome (SARS) that began in East Asia, tourist arrivals plunged regionally. That played a role in bringing Malaysia's quarterly Gross Domestic Product (GDP) growth down from 7.1% in the third quarter of 2002 to 4.6% in the same quarter a year later. However, as a result of the comprehensive economic stimulus package, Malaysian economy recovered to 6.5% in fourth quarter of 2003. Insyah-ALLAH, the 2020 economic stimulus package will be as successful.

28. Due to the global economic scenario and COVID-19 impact, Malaysia's GDP growth in 2020 is estimated to be in the range of 3.2% to 4.2%. I believe, the economic stimulus package will enable the Malaysian economy to achieve the highest point of the range. In formulating the stimulus package, the Government exercised prudence with respect to its fiscal position. As a result of the stimulus package, fiscal deficit is estimated to slightly increase to 3.4% of GDP compared to the original target of 3.2% of GDP.

29. The Government is cognisant that the implementation of the economic stimulus package cannot be successfully delivered by the Government alone. Therefore, the Government calls on the private sector to play their part in ensuring the stimulus package is successful.

30. At the same time, the Government calls on the rakyat to remain steadfast, brave and diligent in prevailing over the current challenges and emerge even stronger after this episode.

31. Insyah-ALLAH, with the cooperation, persistent effort and solid identity, our beloved nation will become more prosperous and resilient.

Thank You.