

# **Economic Outlook 2021**

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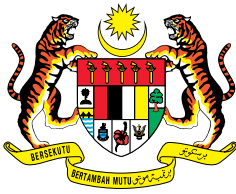
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**PRIME MINISTER  
MALAYSIA**

## **FOREWORD**

### ***“Safeguard lives and protect the livelihood of the rakyat”***

The year 2020 began with nations around the world gearing up to contain the spread of COVID-19 pandemic by undertaking various measures which include enforcing movement restrictions and closing borders. The unprecedented situation has severely impeded overall global economic activities with the world economy experiencing a sharp contraction that economists believe to be worse than the Great Depression in the 1930s. Being a highly open economy, Malaysia’s GDP has also been adversely affected.

From the onset, the Government has been resolute in its stand to safeguard lives and protect the livelihood of the *rakyat*. We seek to address the pandemic through a systematic approach that focuses on three pillars: safeguard the *rakyat*, support businesses and finally, strengthen the economy. These three pillars underline all subsequent economic stimulus packages that we have unveiled throughout the year.

Apart from implementing various stages of the Movement Control Order (MCO) since March 2020 to curb the transmission of COVID-19, the Government has embarked on a series of economic stimulus measures totalling RM305 billion entailing fiscal and non-fiscal measures. In this regard, the Economic Stimulus Package Prihatin Rakyat (PRIHATIN) totalling RM250 billion was unveiled in March 2020, followed closely by the PRIHATIN SME+ worth RM10 billion in April. In June, we announced the Short-Term Economic Recovery Plan (PENJANA) totalling RM35 billion and in September, we released the RM10 billion additional package, dubbed the PRIHATIN Supplementary Initiative Package (KITA PRIHATIN).

Under the PRIHATIN package, the nation’s healthcare services were strengthened by additional allocation for among others, medical equipment, enhancing testing capacity and developing the *MySejahtera* application for contact tracing. PRIHATIN also provided immediate financial assistance to ease the cash flow burden of the *rakyat* and businesses, including employment retention support, deferment or restructuring of loan repayments as well as provision of credit facilities. Furthermore, we implemented the PRIHATIN SME+ to ensure the survival and ease the financial burden of SMEs.

When the COVID-19 curve flattened, the subsequent strategy was to reopen the economy by allowing the *rakyat* to return to work and companies to resume operations. Hence, the PENJANA package was announced in June to support the economy to operate in a new normal.

The Government is ever ready to step in and provide additional assistance when deemed necessary. As such, realising that the *rakyat* and businesses still needed financial assistance, we swiftly announced in September this year an additional allocation to the existing initiatives, for example, the wage subsidy programme, the special grants to micro-companies and also assistance to the lower and middle-income households and individuals under the KITA PRIHATIN package.

LAKSANA, a unit under the Ministry of Finance, was established to ensure all economic stimulus programmes are implemented promptly and can effectively reach the targeted groups. The Unit has now evolved into a full-fledged agency in monitoring implementation outcomes of the stimulus programmes across 53 ministries and Government agencies nationwide.

Together, we have braved and withstood the unprecedented crisis as a nation. I would like to express my deepest gratitude to the frontliners whose efforts have saved countless lives and upheld Malaysia's healthcare system as among the best in the world. Let me also thank the *rakyat* for their patience and close cooperation in combating the pandemic together. *Alhamdulillah*, we have achieved positive results thus far. However, we cannot afford to be complacent because the war against COVID-19 is not over yet, until and unless a vaccine has been found and is made available across the world.

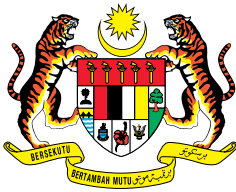
Against the backdrop of strong economic fundamentals, a diversified economic base as well as proactive measures which have been implemented, we are confident in mitigating the economic impact arising from this crisis. Nevertheless, the socio-economic impact of the pandemic is expected to run its course until next year. Hence, the 2021 Budget will still focus on protecting lives and livelihood with additional measures to cope with the lingering effects of the pandemic on the economy as a whole. *Insya-Allah*, we will register a rebound in economic growth in 2021.

The crisis has given us the opportunity to look inwards, reassess our priorities and reset our targets. Moving forward, we will continue to revitalise and reform our economy for a sustainable future of shared prosperity under a new normal. It is our aspiration to steer the economy to a higher growth trajectory that is inclusive in nature. I would like to reiterate that this Government is committed to serving the *rakyat* and ensuring their well-being as well as supporting the businesses to thrive. *Insya-Allah*, we will be able to achieve this if we all work closely together.



**TAN SRI HAJI MUHYIDDIN BIN HAJI MOHD YASSIN**

6 November 2020



## PREFACE



**MINISTER OF FINANCE  
MALAYSIA**

COVID-19 has had a major impact on global growth, particularly due to its capacity to disrupt and dismantle development progress that has been made across social, business and economic fronts. For as long as a vaccine is yet to be found, the entire global economy – Malaysia included – remains at its mercy. At the heart of this unprecedented economic challenge is the consequential threat to lives, as well as risk of increased poverty and long-term systemic damage to our socio-economic fabric.

It was against this backdrop that Malaysia instituted the Movement Control Order (MCO). Although the Malaysian economy lost an estimated RM2 billion each day while the MCO was in effect, the Government was decisive in crafting our own unique 6R Strategy, comprising six stages of Resolve, Resilient, Restart, Recovery, Revitalise and Reform, to help the nation cope.

Against a backdrop of many unknowns, the Government had to put together no less than four stimulus packages in record time to protect lives, businesses and the economy. Deciding on what would be sufficient was not easy. Our fiscal limitations needed to be matched with our fiscal muscle. One thing was clear, though: our response had to be fast and decisive. Hence, the RM250 billion PRIHATIN Economic Stimulus Package was born, incorporating a RM25 billion fiscal injection.

Subsequently, three additional packages followed: PRIHATIN SME+, PENJANA and KITA PRIHATIN in April, June and September respectively. All four packages – comprising fiscal and non-fiscal measures – totalled RM305 billion, or 21% of our gross domestic product (GDP). With the measures' rollout being tracked and monitored by the Economic Stimulus Implementation and Coordination Unit Between National Agencies (LAKSANA), many lives were saved, livelihoods supported, and businesses remained afloat.

The MCO and its various iterations not only flattened our COVID-19 curve but also contributed to the deep contraction in the GDP by 8.3% in the first half of 2020. Nevertheless, month-to-month economic data clearly signals green shoots of recovery, with a rebound in production and trade figures, a decline in unemployment and a recovery in private consumption compared to the monthly data of the second quarter of 2020. The Government's stimulus packages are expected to contribute over 4 percentage points to the nation's GDP growth.

This momentum is expected to set the foundation for the nation's GDP to grow by up to 7.5% in 2021. That achievement hinges heavily on the next phase in our 6R strategy – Revitalise – represented by Budget 2021. As a strategic plan for ensuring Malaysia's

growth in the coming year, Budget 2021 seeks to balance healthcare capacity needs, while building upon the current economic recovery momentum together and developing better resilience for the future.

Meanwhile, it is important for us to not only adapt to this new norm, but also find growth opportunities. COVID-19 has accelerated the adoption of digitalisation by businesses, the education sector and society. Studies have estimated that the economic value of digital trade-enabled benefits to the Malaysian economy, if fully leveraged, could grow to RM222 billion by 2030 from RM31 billion in 2019. This presents a new growth trajectory for many service-based industries and supporting sectors like E&E, e-commerce and the gig economy. Another huge potential is in healthcare and its ancillary sectors. Medical products, services and equipment are expected to grow in the coming years.

Budget 2021 has been crafted across four broad principles, namely, caring for the people; steering the economy; enabling sustainable living and enhancing public service delivery. The Government will continue with its targeted initiatives to support lives and livelihoods while prioritising vulnerable groups.

Sustainability, as one of the key principles, will also lay the foundation for existing and fresh policies to be mapped against the UN Sustainable Development Goals (SDGs). Related to this, one of the sectors that is a natural fit into our sustainability aspiration is Islamic finance, which subscribes to Value-Based Intermediation principles, similar to Environmental, Social and Governance (ESG) principles. This could help grow the Islamic economy, through various concepts including *wakaf*, and in developing communities sustainably. On multiple other fronts, the Government also hopes to work closely with its agencies, the private sector and civil society to catalyse a higher, more sustainable growth trajectory from 2021 onwards.

The Government expects its fiscal deficit to reach 6% of GDP, the highest since the 2009 Global Financial Crisis, while the Federal Government's statutory debt is expected to rise to about 57% of GDP by end-2020, due to the four necessary economic stimulus packages. Nonetheless, the Government is committed to its fiscal responsibility agenda, in line with the goal of reducing the fiscal deficit to under 4% of GDP over the next three to four years.

Against the backdrop of a huge unknown that is outside our control, we have been focusing on aspects that we can and must control. Our economic fundamentals are still strong, our economic base sufficiently diversified, and we still have fiscal muscle. But above all, I believe the economic rebound in 2021 and beyond depends as much on our strategy, as it does on Malaysians' indomitable spirit to work together and brave the unknown as one.

Thank you to all Malaysians for your past, present and future contribution in helping the nation face this enormous challenge. I am confident that together we can and will win this war against COVID-19, and emerge from this episode as a stronger nation, *Insyaa-Allah*.

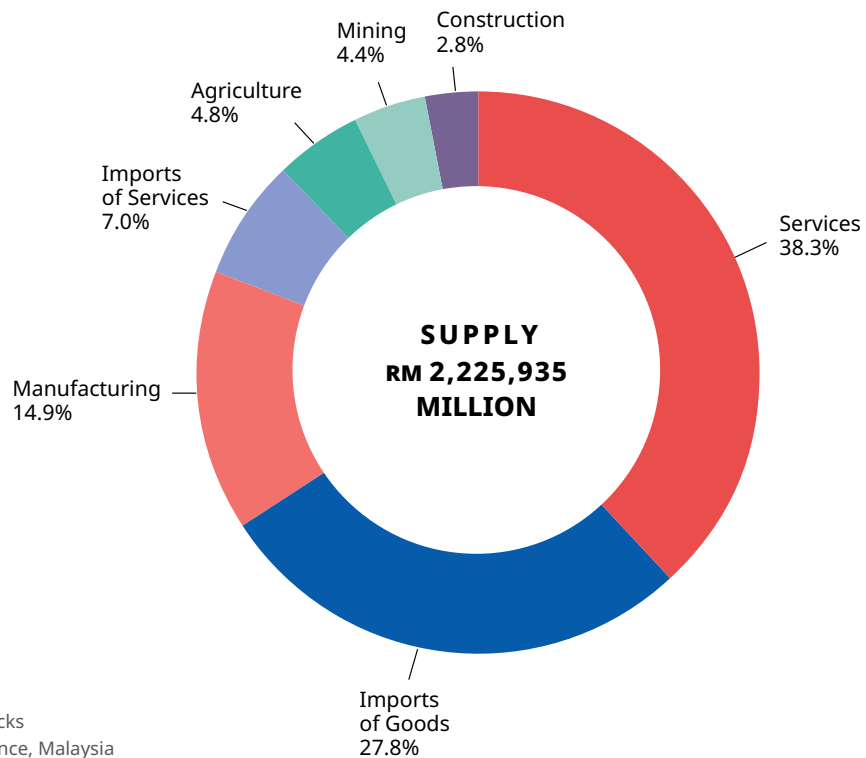
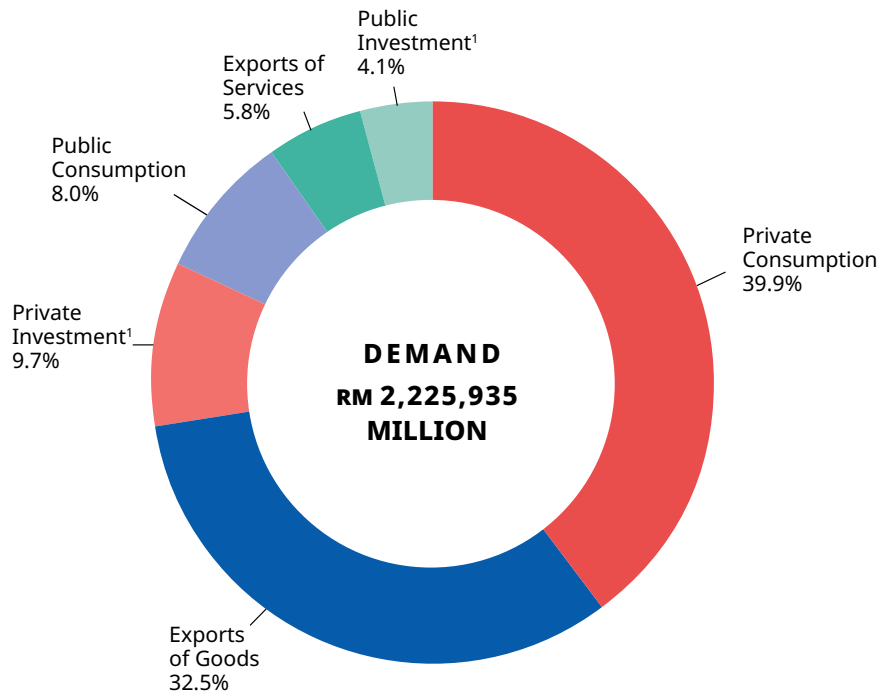


**SENATOR TENGKU DATO' SRI ZAFRI TENGKU ABDUL AZIZ**

6 November 2020

## THE ECONOMY 2021

in constant 2015 prices  
(share to total in %)



<sup>1</sup>Includes change in stocks  
Source: Ministry of Finance, Malaysia

