



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.

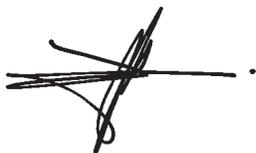
Budget 2021 has been crafted across four broad principles, namely, caring for the people; steering the economy; enabling sustainable living and enhancing public service delivery. The Government will continue with its targeted initiatives to support lives and livelihoods while prioritising vulnerable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

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