



PREFACE



**MINISTER OF FINANCE
MALAYSIA**

The COVID-19 pandemic, which triggered a worldwide health crisis, has paralysed global growth and in turn, hampered domestic businesses and economic activities in 2020. In safeguarding and protecting the invaluable lives of the people, the Government has undertaken stringent measures to contain the outbreak by implementing movement restrictions in various form. While the restrictions have managed to control the spread of the COVID-19 by restricting people's daily activities, its implementation has disrupted the flow of goods and services and impacted the economic supply chain. As a result, business operations were severely disrupted, and cashflows were distressed, impacting the whole economy. With the ensuing loss of jobs, unemployment rose, and household income was also severely affected, impacting economic demand.

The Government has proactively responded with the swift mobilisation of a series of economic stimulus packages and recovery plans, which collectively form the largest economic stimuli in Malaysia's history. These four packages namely – PRIHATIN (RM250 billion), PRIHATIN SME+ (RM10 billion), PENJANA (RM35 billion) and KITA PRIHATIN (RM10 billion) – are collectively valued at RM305 billion, comprising fiscal and non-fiscal measures with direct fiscal injection of RM55 billion. Fiscal and monetary policy interventions were implemented to protect people's lives and livelihood, to ease businesses' cash flows as well as to support and revitalise the economy.

The Parliament passed a new Act to establish the COVID-19 Fund, a dedicated trust fund to implement all the measures under the stimulus packages and economic recovery plan. The Act also ensures fiscal discipline, accountability and transparency in the implementation of measures under the stimulus packages. Consequently, the Government revised its 2020 deficit target upward from 3.2% to 6% of GDP. It is important to note that these measures are financed through domestic borrowings, and the new debt level has been sanctioned by a temporary increase of the statutory debt limit up to 60% of GDP from the current 55% threshold. The Act is in force only until end-2022, when the debt level is expected to be reduced to its pre-crisis level once the economy is back on a firm growth trajectory.

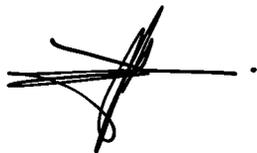
With the objective to restore and reinvigorate the economy, the Government will continue to protect the people and their livelihood as well as support the 'revitalisation' phase of the economy in the 2021 Budget. This Budget is structured across four broad themes –

caring for the people, steering the economy, enabling sustainable living and enhancing public service delivery. I am confident that this Budget will support the economic recovery momentum and ensure the well-being of the rakyat and businesses, while further enhancing public spending efficiency and effectiveness.

While the impact of the pandemic may well spill over into 2021, the fiscal deficit is targeted to reduce to 5.4% of GDP. The Government will resume its fiscal consolidation once the economy recovers from the COVID-19 crisis. Under its fiscal reform agenda, the Government aims to reduce the fiscal deficit to under 4% of GDP over the next three to four years. This will be achieved through measures such as improvements to the current tax collection system as well as broadening the Government's revenue base. Concurrently, the Government has made progress in its rationalisation exercise to increase operating efficiency and improve cost management. The formulation of the Fiscal Responsibility Act is currently ongoing, to enhance discipline and governance of fiscal management in ensuring sound and sustainable public finances.

The Fiscal Outlook and Federal Government Revenue Estimates are published with the intention to enhance transparency in communicating the Government's fiscal policies to the people. This publication, complemented by other reports produced by the Ministry of Finance, will provide a better understanding of fiscal operations and public finances, covering all levels of Government and public corporations.

The year 2020 has tested the fundamentals and resilience of our economy. On the other hand, this unprecedented period is a valuable opportunity to undertake a rebalancing act, to do the best with the resources we have, and to ensure sustainable growth moving forward. *Insyah-Allah*, in overcoming these challenges, there will be opportunities for the Government to rebuild and strengthen our fiscal foundation and finances in the coming years.



SENATOR TENGKU DATO' SRI ZAFRUL TENGKU ABDUL AZIZ
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