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GDP to grow 4% this year, predict economists

PETALING JAYA: Economists have projected Malaysia's gross domestic product (GDP) to grow around 4% in 2021 following the announcement of the National Recovery Plan (NRP).

United Overseas Bank (M) Bhd (UOB Malaysia) senior economist Julia Goh and economist Loke Siew Ting said the estimated period under the planned phases was in line with the bank's assumptions when it revised downwards its full-year GDP projection to 4% for 2021 from 5% previously.

"We maintain a cautious view as the pandemic-related risks continue to evolve while the vaccination rollout is subject to a timely arrival of the vaccine supplies," they said in a commentary note on the NRP.

The NRP, announced by Prime Minister Tan Sri Muhyiddin Yassin, is a four-phase exit strategy from the Covid-19 pandemic which aims to provide some guidance for the people and businesses on the path forward over the coming months since the nationwide lockdown started on June 1 and was extended until June 28.

The recovery plan also outlines three targeted indicators, namely, the average daily new infections, capacity of healthcare system/intensive care unit bed utilisation, and percentage of population that received two doses of vaccines, under each phase before further

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Amiruddin Abdul Shukor

reopening of economic and social sectors are allowed.

Sharing similar views, OCBC Bank economist Wellian Wiranto said the government had kept mum about any revision to its earlier 6% to 7.5% 2021 GDP forecast so far.

"However, going by its daily hit estimate, and assuming no further extension of phase 1 of the movement restrictions, it would mark around two percentage points hit, putting the bottom part of their forecast range in line with our 4% forecast," he said.

Meanwhile, Goh and Loke have maintained their views for the overnight policy rate (OPR) to stay at 1.75% until year-end.

"With ongoing policy support including the cumulative RM380bil fiscal support since last year, the remaining RM206bil to spend from Budget 2021, and 125 basis points of policy rate cuts, we expect Bank Negara to maintain its current policy stance," they said.

The Malaysian Global Innovation and Creativity Centre (MaGIC) said that the four-phase NRP had clear transitions designed to take the country out of the health and economic crisis brought about by the global Covid-19 pandemic.

"It provides a roadmap to easing restrictions and offers pathways to normality," said acting chief executive officer (CEO) Amiruddin Abdul Shukor. Meanwhile, Malaysian Bioeconomy Development Corp CEO Mohd Khairul Fidzal Abdul Razak said the organisation's various initiatives and programmes would complement the government's four-phase strategy of returning the country to near normalcy by the end of 2021, following the effects of the pandemic.

"We have the Bioeconomy Blueprint – set to launch in the third quarter of 2021 – that establishes the direction of Malaysia's bioeconomy development," he said. – Bernama