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COVID-19 PANDEMIC

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Movement Control Order extension to further curtail economic activities

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THE extension of the Movement Control Order (MCO) to April 14 is set to further dampen the country's economic outlook, with some economists expecting a less than two per cent gross domestic product (GDP) growth this year.

Bank Islam Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid said it had revised its GDP forecast to 0.4 per cent from four per cent, taking into account the expected uncertainties externally and further moderation in consumer spending.

"At this rate, the economy is likely to experience a recession of -1.1 per cent in the first half of this

year. Assuming the Covid-19 pandemic can be contained some time in the second quarter, we can expect the GDP to register a positive growth of 1.8 per cent in the second half.

"Bank Negara Malaysia could reduce the Overnight Policy Rate (OPR) and Statutory Reserve Requirement (SRR) to 2.00 and 1.00, respectively, in the second quarter. However, the situation is very fluid and, therefore, the forecast can change accordingly," he told the *New Straits Times* yesterday.

He said the country's economy was not operating as normal at the moment.

"The MCO may have severely impacted economic activities. But this happens because the main priority is health issues, especially on curbing the spread of the Covid-19," he said.

Putra Business School associate Prof Dr Ahmed Razman Abdul Latiff said the economic impact on the country could be serious with the extension of the MCO to April 14 as it would be a full month of inactivity for most businesses.

He said the GDP growth for the first half would definitely be lower than two per cent, with an increase in unemployment and business bankruptcies.

He said what was important now was for the government to address the economic slowdown so that it would not escalate into a recession.

He said the RM20 billion stimulus package announced recently was necessary but there was now a need for additional funding.

"Many countries such as

France, the United Kingdom, the United States and Germany have allocated 10 per cent and above of their GDP for such measures. US alone has pledged US\$2 trillion to try revive its economy.

INFO BOX

0.4pc

Bank Islam Malaysia's gross domestic product growth forecast for this year.

"Malaysia has pledged only 1.2 per cent of its GDP for the stimulus package. Therefore, there is a need to increase the fiscal stimulus package, probably up to RM100 billion," he said.

Razman said the source of fund for this package could come from various mechanisms, including additional borrowings, special dividends from government-lined companies such as Petroliaam Nasional Bhd (Petronas) and Khazanah Nasional Bhd, the Retirement Fund Inc, Bank Negara Malaysia as well as support from the private sec-

tor, such as discounts on electricity charges by Tenaga Nasional Bhd and moratorium on loan payments by financial institutions.

"However, these are just short-term measures. More importantly is to reform the monetary system by focusing on alternatives, such as waqf funding, and a continuous campaign to encourage the public to lead a debt-free lifestyle," he said.

AXICorp global chief market strategist Stephen Innes said the extended MCO was going to hurt the economy.

"The recovery starts from a lower point and requires more government assistance to help folks pay bills and survive without a pay cheque," he said.

Juwai IQI chief economist Shan Saeed said globally, the lockdown measures adopted by some countries to contain the Covid-19 pandemic had cost the global economy a colossal US\$25 trillion to US\$30 trillion.