

Malaysia announces RM 250 billion stimulus

31 March 2020

On Friday, 27th Mar 2020, the Prime Minister announced the PRIHATIN Rakyat Economic Stimulus Package amounting to RM250 billion for Malaysia. This package is equivalent to 17% of Gross Domestic Product (GDP) compared to the 8% of GDP (or RM67 billion) package introduced during the 2008 Global Financial Crisis. Policymakers project for the stimulus package to add 1.5% to GDP in 2020. Here's how the package will be spent:



Public: 55% (RM126 billion)

Cash handouts and loan moratorium provides assistance to low to middle income households who are hurt due to curtailed economic activities during the period under Movement Control Order (MCO).



Small and medium sale enterprises: 44% (RM101 billion)

These enterprises will also receive various assistance such as loan moratorium, wage subsidy and SME financing.



Malaysian Economy: 1% (RM3 billion)

Efforts will be aimed at strengthening our investment and external trade until consumer and business confidence is regained.

Source: Prime Minister Office, Mar 2020. See Appendix for further details.

What is our investment strategy?

Fixed Income

Domestic bond market is supported by expectations of lower interest rates and ample liquidity in the system.

- Maintain defensive portfolio, focusing on high-grade names for credit protection and target government bonds and government related bonds.
- Credit selection remains the key for portfolio returns; selecting issuers with stronger and more resilient credit metrics.
- Prefer short to neutral benchmark duration in view of the market uncertainty.

Equity

We believe the stimulus package is neutral on the Malaysian equity market as large corporates are not the main beneficiaries.

- Taking a defensive stance to preserve capital.
- Continue adopting a barbell approach of buying high yield and growth stocks but will be more selective.
- Watching for the flattening of epidemic curve for domestic Covid-19 cases to reposition the portfolios.

What should investors do? Invest across diversified asset classes | Dividend Platform | Long-term focus

- **For conservative clients:** Recommend funds in mixed assets with a combination of growth and income either globally or locally diversified.
- **For clients with higher risk tolerance:** Recommend them to focus on growth-oriented funds that offer exposure to growth areas in Asia, China and Global REITs.

Appendix: Breakdown of RM250 billion stimulus package

B40, 66 Billion

- KWSP Account 2 RM25 billion
- Bantuan Prihatin National RM8.8 billion
- Wage Subsidy RM4.7billion
- Loan moratorium RM24 billion
- Civil Servant RM1.2 billion
- Electric Bill Discount RM100 million

SMEs, 54 billion

- Loan moratorium RM 35 billion
- KWSP and Human Resources Development Fund RM10.4 billion
- Government Guarantee Scheme RM5 billion
- BNM Special Relief Facility RM3 billion
- Income Tax deferment

Economic Activity, 53 billion

- Small projects RM 2 billion
- Bailout funding RM50 billion
- Food funding 1 billion

M40, 30 billion

- Loan moratorium RM 13 billion
- KWSP Account 2 RM10 billion
- Bantuan Prihatin National RM1 billion
- Civil servant RM500 million
- Electricity RM20 million

Others, 27 billion

- T20 KWSP RM5 billion
- PRS RM700 million
- T20 loan moratorium RM21 billion
- T20 electricity RM 200 million

Source Prime Minister Office, Mar 2020

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