



# NEWS RELEASE

Jun 02, 2021

## R&I Affirms A+/a-1, Stable: Malaysia

Rating and Investment Information, Inc. (R&I) has announced the following:

**ISSUER:** Malaysia

**Foreign Currency Issuer Rating: A+, Affirmed**  
**Rating Outlook: Stable**

**Domestic Currency Issuer Rating: A+, Affirmed**  
**Rating Outlook: Stable**

**Foreign Currency Short-term Debts: a-1, Affirmed**

### RATIONALE:

Malaysia has a diverse industrial landscape, such as the manufacturing industry anchored by electric and electronics sectors, and natural resource-related industries. Supported by a relatively advanced industrial base, the economy dented by the coronavirus pandemic will likely recover in 2021. The government debt ratio has risen, but still remains at a manageable level. External stability has also been maintained, as suggested by current account surpluses and international reserves. In consideration of these factors, R&I has affirmed the Foreign and Domestic Currency Issuer Ratings at A+.

Until hit by the pandemic, the economy had enjoyed stable growth over many years. Malaysia's average economic growth is higher than the average for countries with similar income levels. In 2020, real gross domestic product (GDP) contracted by 5.6%. Buoyed by economic measures, along with exports, the economy has been heading for a recovery since 2H of the year. With rising coronavirus cases leading to renewed movement restrictions, the future pace of economic recovery will depend on how the pandemic evolves. For 2021, the government and the International Monetary Fund project real GDP growth of 6.0-7.5% and 6.5%, respectively, but actual growth may undershoot their expectations.

On the back of trade surpluses, the current account balance has consistently been in surplus. From 2021 onward, it is expected to be in a surplus of around 3% of GDP. International reserves remain sufficient to cover imports and outstanding short-term external debts. In 2020, the net international investment position turned positive, albeit slightly. There is little concern about the external liquidity position.

The fiscal deficit for 2020 widened to 6.2% of GDP due to the economic measures in response to the pandemic and a decrease in tax revenue stemming from lower oil prices and the economic downturn. In 2021, the government is implementing a fiscal policy focused on the welfare of the people, business continuity and economic resilience. Sizable funds continue to be allocated to contain the pandemic. While government expenditure will increase, an economic recovery is expected to drive tax revenue growth. The fiscal balance is projected to be a deficit of about 6%.

The government debt to GDP ratio climbed to 62.2% as of end-2020. In light of the country's income level and the maturity of the domestic financial market, the debt burden is at a manageable level, in R&I's view. As a temporary measure until 2022, the government raised its domestic debt ceiling to 60% to fund its economic packages. Outstanding debt consisting of types of debt subject to the rule stays within the ceiling. Although funding has increased substantially, most of funds have been raised in the domestic market. A rise in the interest payment burden has been reined in, and non-residents' holdings are stable in the 20% range. The government is considered to be highly resilient to debt.

The government intends to reduce deficits in a phased manner while striking a balance with an economic recovery. As redressing disparities and creating more advanced industries continue to be called for, it is a challenge to secure space for spending by increasing government revenue for policy execution. Meanwhile, a fluid political situation keeps it difficult to predict future policy management. Eyes are on

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political developments and medium-term fiscal consolidation efforts.

The primary rating methodology applied to this rating is provided at "R&I's Analytical Approach to Sovereigns". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

[https://www.r-i.co.jp/en/rating/about/rating\\_method.html](https://www.r-i.co.jp/en/rating/about/rating_method.html)

## R&I RATINGS:

<b>ISSUER:</b>	<b>Malaysia</b>
	<b>Foreign Currency Issuer Rating</b>
<b>RATING:</b>	<b>A+, Affirmed</b>
<b>RATING OUTLOOK:</b>	<b>Stable</b>
	<b>Domestic Currency Issuer Rating</b>
<b>RATING:</b>	<b>A+, Affirmed</b>
<b>RATING OUTLOOK:</b>	<b>Stable</b>
	<b>Foreign Currency Short-term Debts</b>
<b>RATING:</b>	<b>a-1, Affirmed</b>

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