



社会经济研究中心
SOCIO-ECONOMIC
RESEARCH CENTRE

**The Malaysian Chamber of Commerce
(Hong Kong and Macau) Webinar**

Can Malaysia Brace the Perfect Storm?

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Outline



The State of Global and Malaysian Economy



Impact of the COVID-19 on the Economy and Business Sector



Malaysia's Economic Recovery Plan

Global Economic Outlook

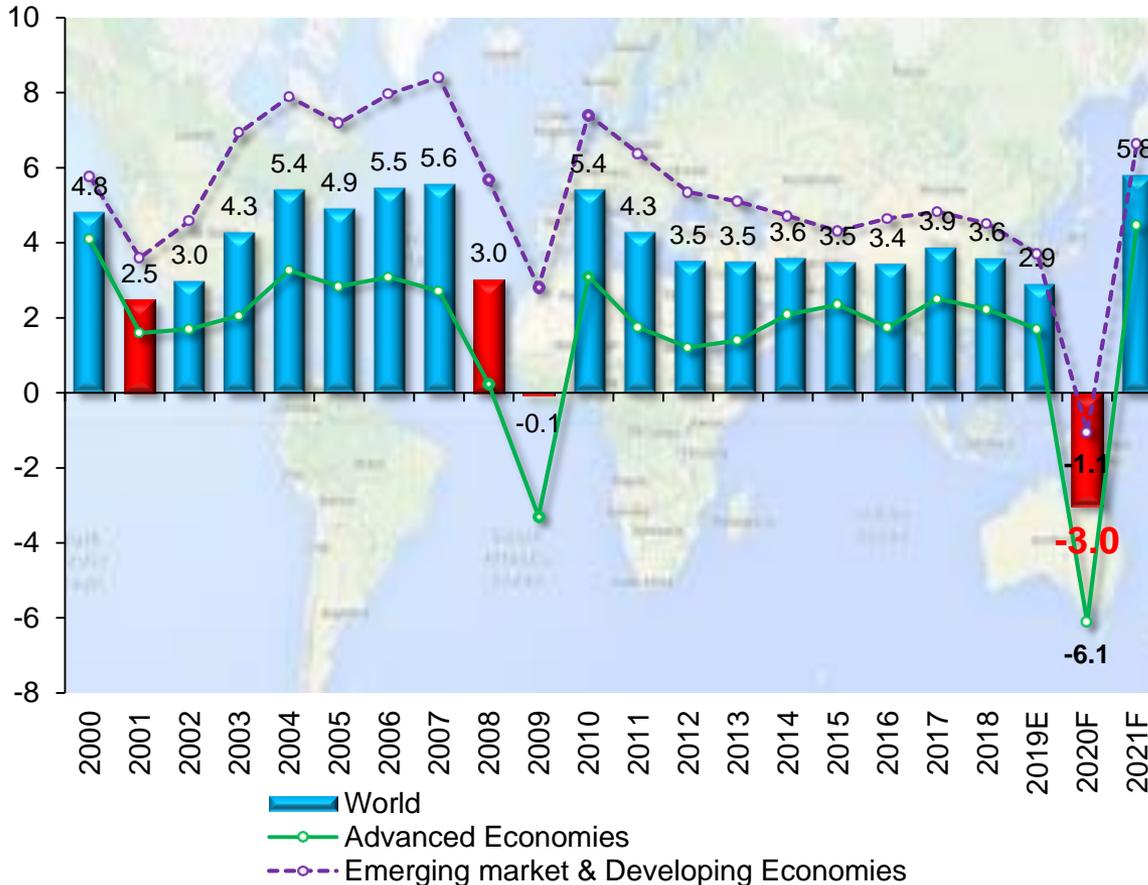
Global economy already set for historical contraction



Global economy faces worst recession since Great Depression

Downside risks remain - how deep and how long lasting impact of the COVID-19 as well as global financial markets in times of stress.

Real GDP Growth (%)



Global growth a small step recovery towards 4Q 2020

- ❖ Reopening the economy in stages have begun amid on-going containment and protective measures, including social-distancing.
- ❖ Effects from fiscal and monetary stimulus as well as financial policies.
- ❖ Gradual normalisation of economic activity and financial conditions.

2021

- ❖ Hopeful a vaccine will be ready in 2021.
- ❖ Firmer consumer and investor confidence supporting growth.

Source: IMF (WEO, Apr 2020)

Global Growth Scenarios for 2020-2021*

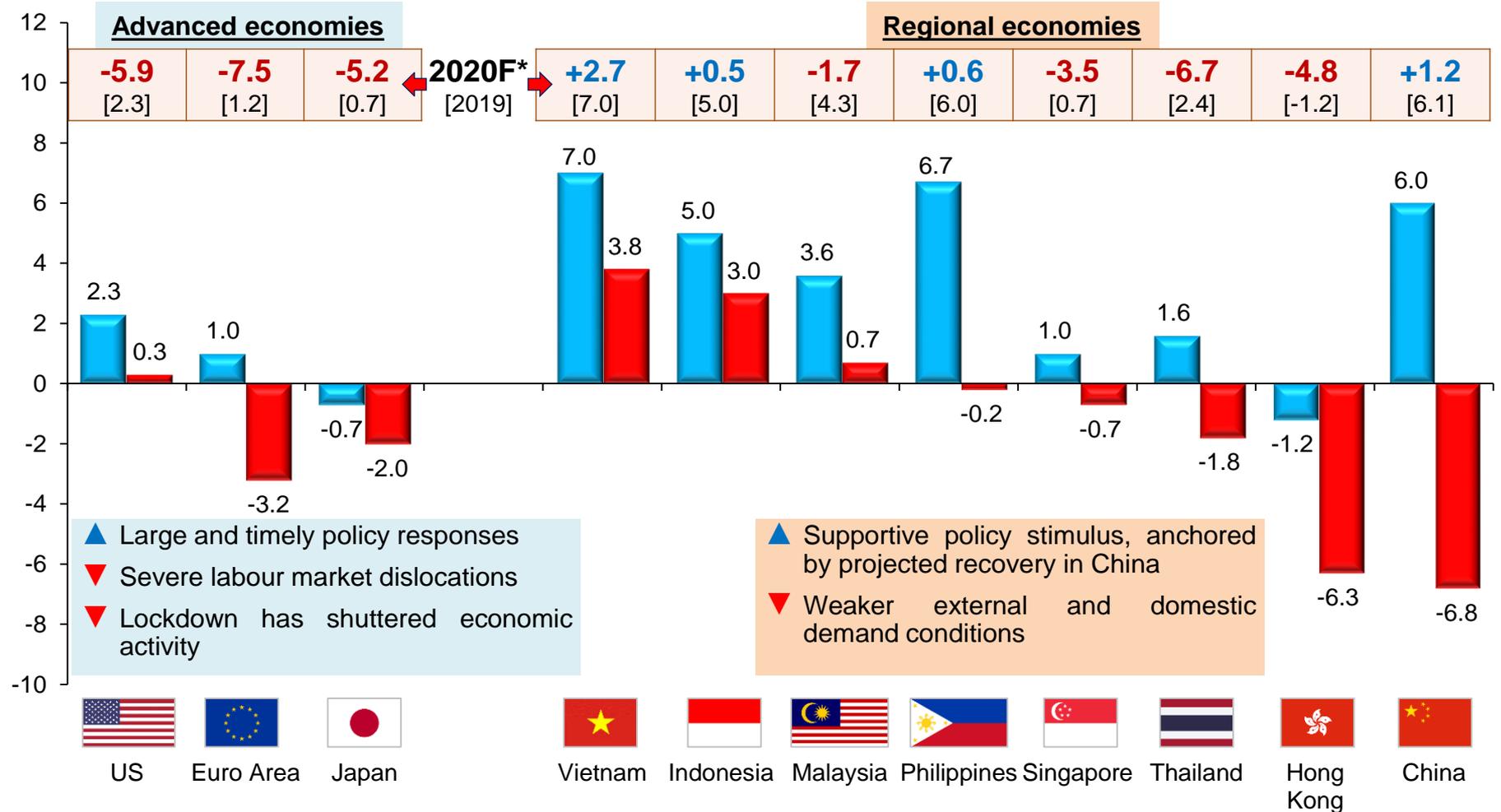
Scenario	Projected global GDP growth in 2020	Projected global GDP growth in 2021
<p>Upside</p>  <ul style="list-style-type: none"> • Global growth stabilisation and recovery. Disruptions from pandemic fade in 2H. • COVID-19 outbreak is contained in 2H 2020. Hopeful vaccine will be found in 2021. • Monetary and fiscal stimulus are working. 	0.5%	4.0%-4.5%
<p>Base Case</p>  <ul style="list-style-type: none"> • Global stabilisation and moderate recovery in 2H 2020. • A prolonged COVID-19 outbreak, disrupted supply chains, financial turbulence; geopolitical shocks. • Monetary and fiscal stimulus are working. 	-3.0%	3.0%-3.5%
<p>Downside</p>  <ul style="list-style-type: none"> • Deeper global recession. • Deepening impact from a prolonged COVID-19 outbreak. • Ineffective monetary and fiscal policy stimulus. • Sharp correction in global equities and commodities market. 	-5.0%	1.5%-2.0%

* SERC's estimates

Global economic contraction – What has happened so far?

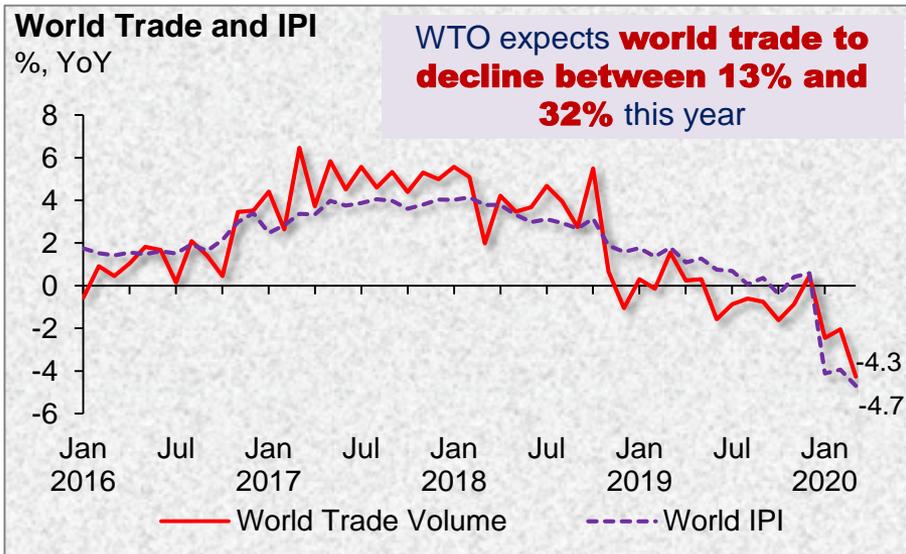
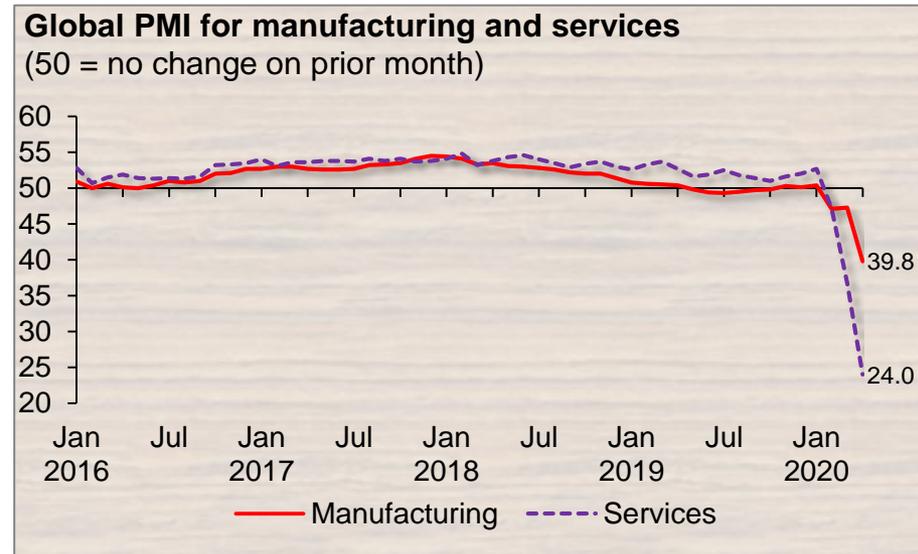
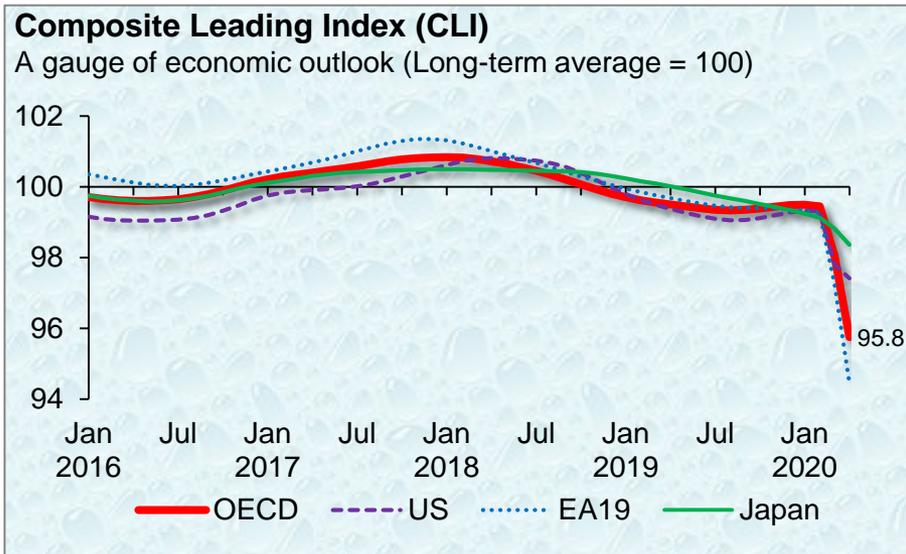
Real GDP growth (% , YoY)

■ 2019 Q4 ■ 2020 Q1



* IMF's estimates, World Economic Outlook, Apr 2020
Source: Officials (unadjusted data except Euro Area); IMF

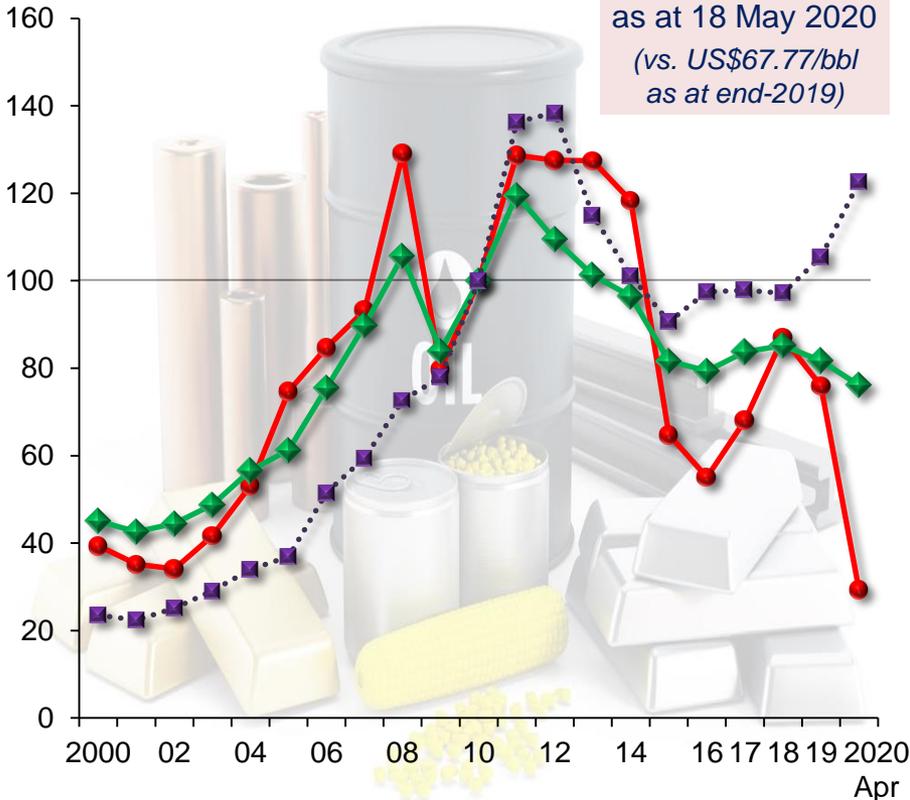
High-frequency data sketch grim picture



Source: OECD; IHS Markit; SIA

Crude oil prices seemed to have stabilised; Crude palm oil prices on the mend

Commodity Price Index (2010=100)

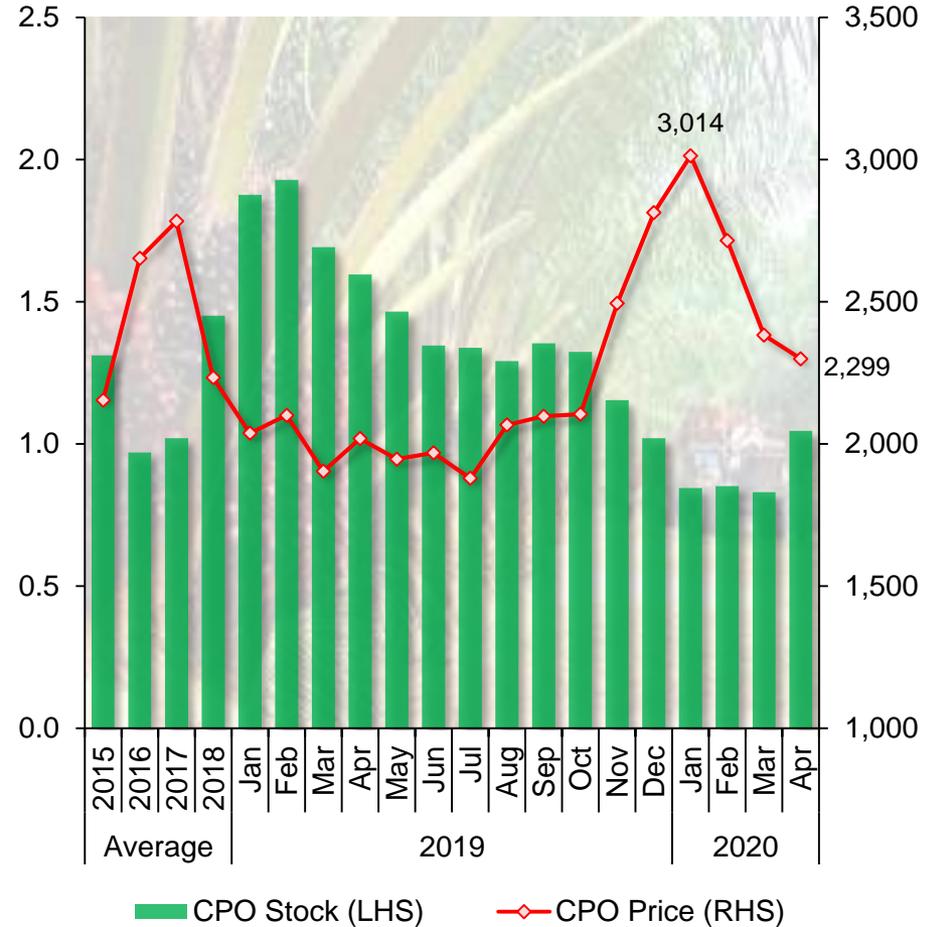


Brent spot price:

US\$33.30/bbl
as at 18 May 2020
(vs. US\$67.77/bbl
as at end-2019)

CPO Stocks (million tonne)

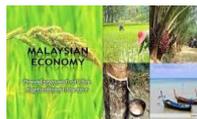
CPO Price (Local delivered, RM/tonne)



Energy

Non-energy

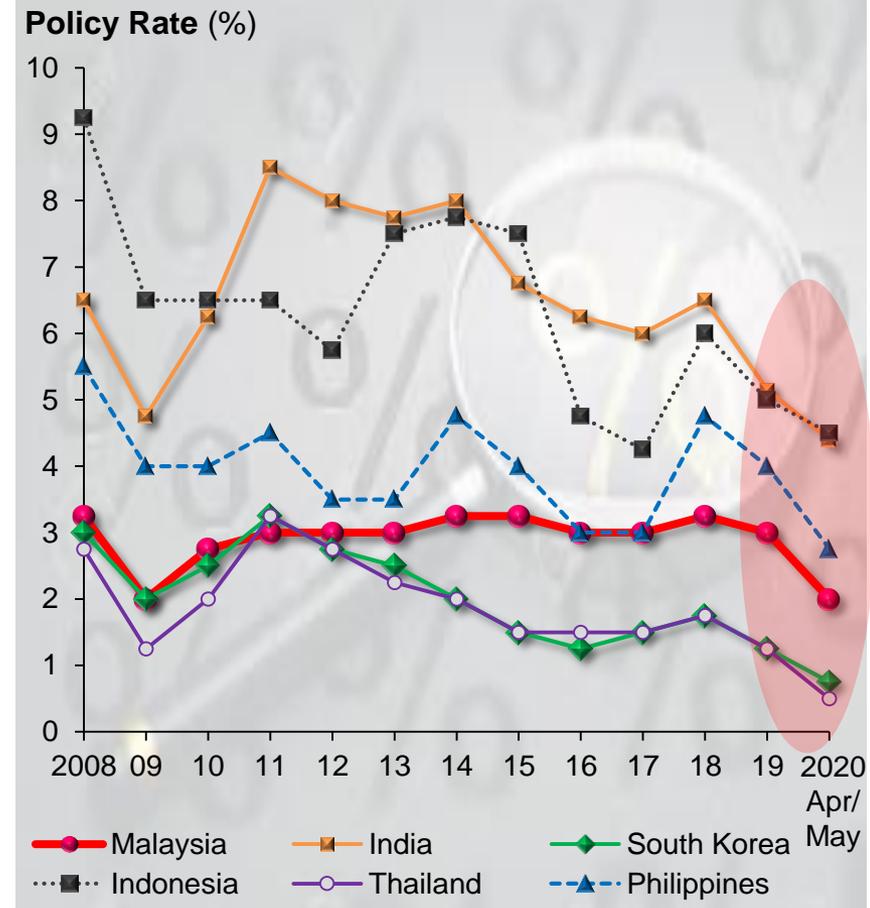
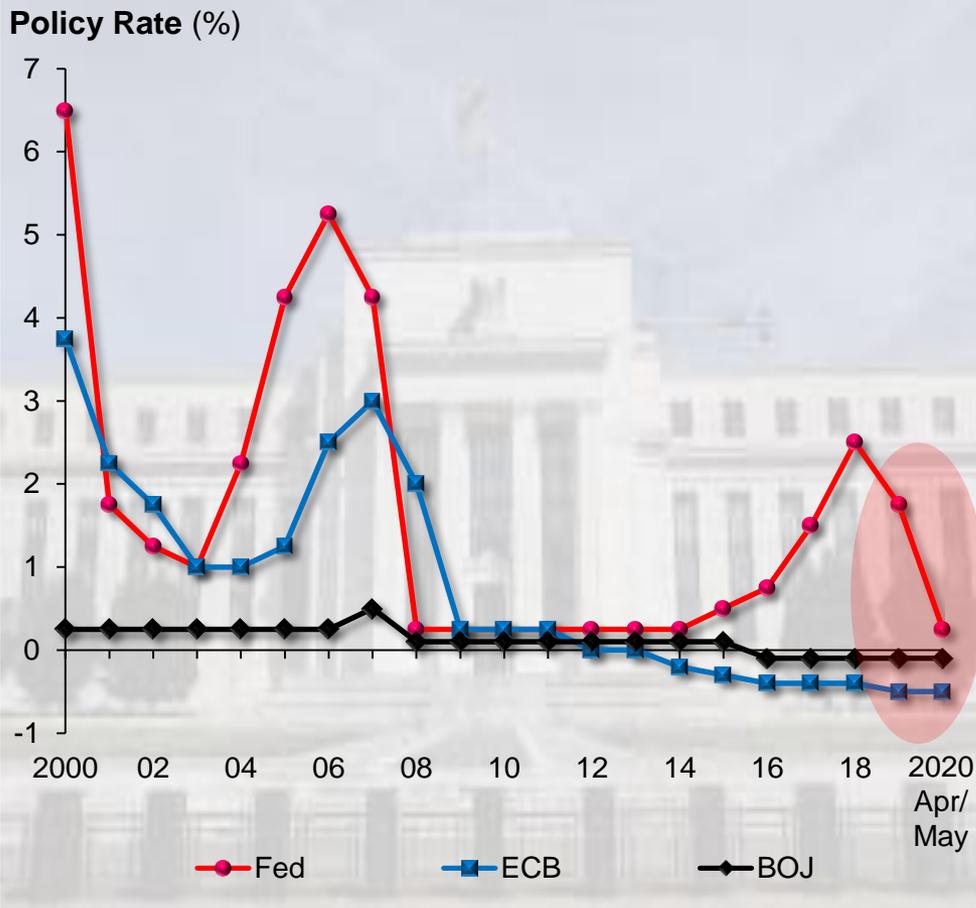
Precious Metals



Source: World Bank; MPOB

Monetary firepower to cure deep recession – Will it work?

If 2008-09 GFC was the “too big to fail” crisis, **2020 is the “too many to fail” version**: Central bankers cannot allow a domino effect of firms collapsing for fear that the economic damage will be so severe.

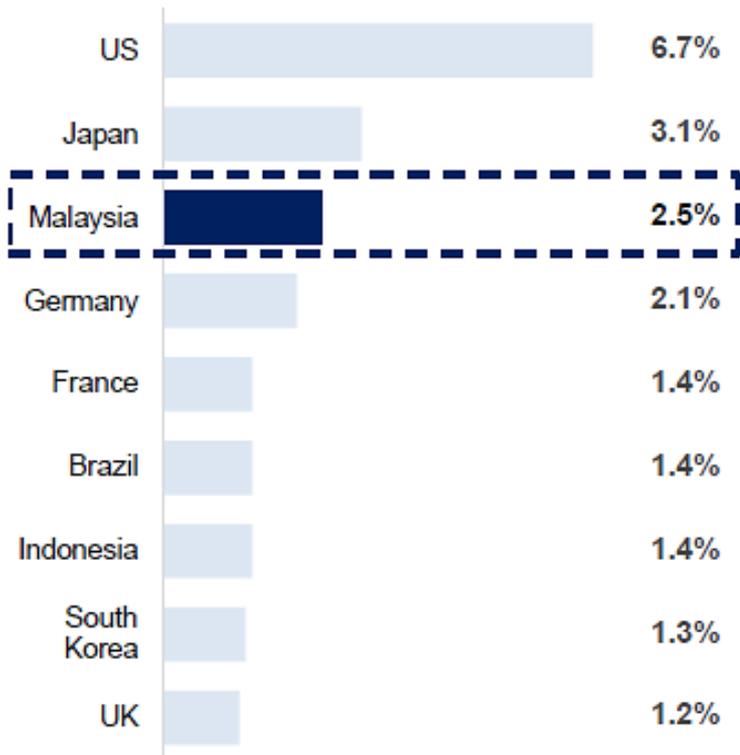


Note: Interest rate on deposit facility applied as ECB's policy rate
 Source: Fed; ECB; BOJ, Official central banks

Historically large fiscal stimulus packages

- **One crucial question:** Will these vast fiscal packages prove enough to reverse the devastating economic downturn being experienced in the real economy?
- **Fiscal support for wage subsidy or loan guarantees could keep companies in operation** but will not stimulate the recovery. Putting money directly into the pockets of consumers to generate demand, albeit gradually; firms may have the confidence to borrow.

Size of Fiscal Outlays in Economic Stimulus Package (% of GDP)

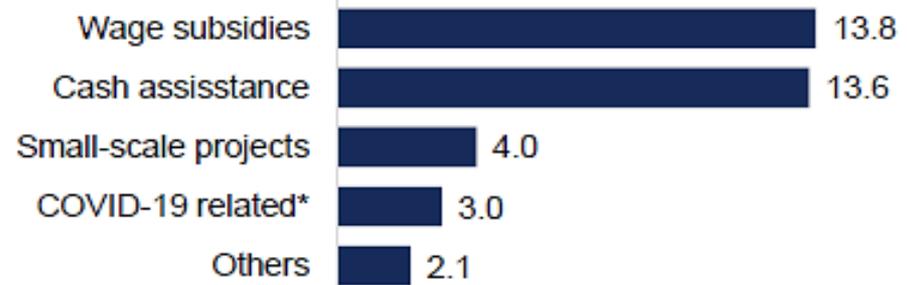


• *Direct payments through cash transfers to households, payroll subsidies and higher unemployment benefits*



• *Most fiscal measures are directed to tax cuts and grants for businesses, wage subsidies and welfare enhancements*

Breakdown of measures with fiscal outlay from the Economic Stimulus Package (RM billion)



Measures with fiscal outlay are expected to contribute 0.8 ppt to growth

* These measures, among others, include allocations for purchase of equipment and services to contain COVID-19 and a special allowance for COVID-19 frontliners.

Source: BNM; IMF

The Malaysian Economy

Aggressive policy responses to blunt economic repercussions



COVID-19 statistics for selected ASEAN countries (As of 26 May)

Malaysia

A. Movement Control Order (MCO) 1, 2 & 3 – 18 March till 3 May (47 days)

B. Conditional MCO (CMCO) – 4 May till 9 June

	Singapore 	Indonesia 	Philippines 	Malaysia 	Thailand 	Vietnam 
Confirmed Cases	32,343	23,165	14,669	7,604	3,045	327
Total Deaths	23	1,418	886	115	57	0
Total Recovered	16,444	5,877	3,412	6,041	2,929	272
Active Cases	15,876	15,870	10,371	1,448	59	55
Total Tests	294,414	264,098	307,434	519,944	375,453	275,000
Infection Rate (%) ¹	11.0	8.8	4.8	1.5	0.8	0.1
Recovery Rate (%) ²	50.8	25.4	23.3	79.4	96.2	83.2
Fatality Rate (%) ³	0.1	6.1	6.0	1.5	1.9	0.0

¹ Confirmed cases / Total tests

² Total recovered / Confirmed cases

³ Total deaths / Confirmed cases

	Most manageable in the region
	Second most manageable in the region
	Third most manageable in the region

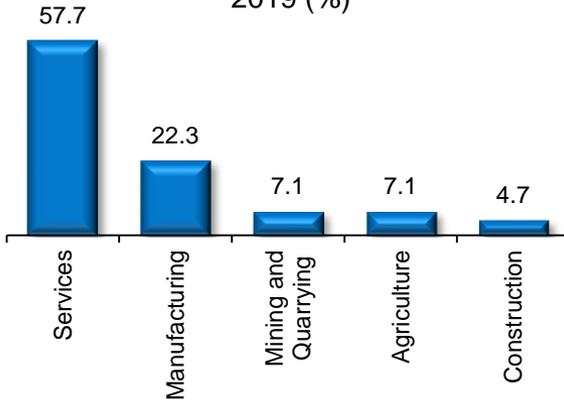
Source: Johns Hopkins University; Worldometer

Malaysia in a position of strength to face economic crisis

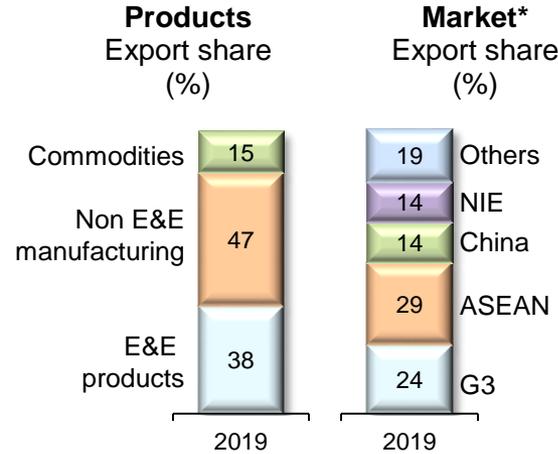
Diversified source of growth

Malaysia's GDP

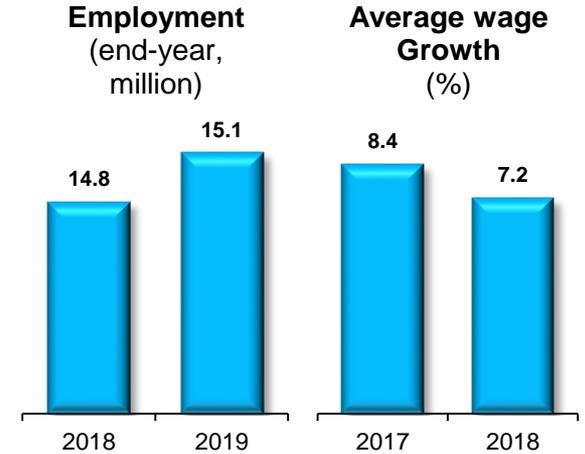
Share of economic sectors in 2019 (%)



Diversified export markets and products

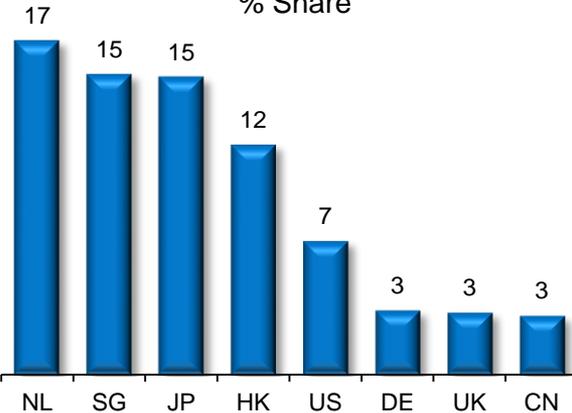


Labour market remains broadly stable



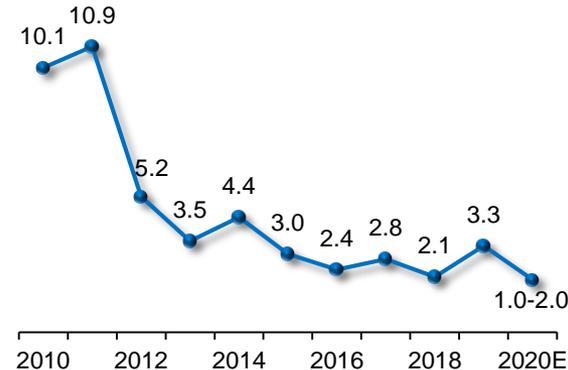
Conducive investment destination for foreigners

FDI gross inflow (2019)
% Share



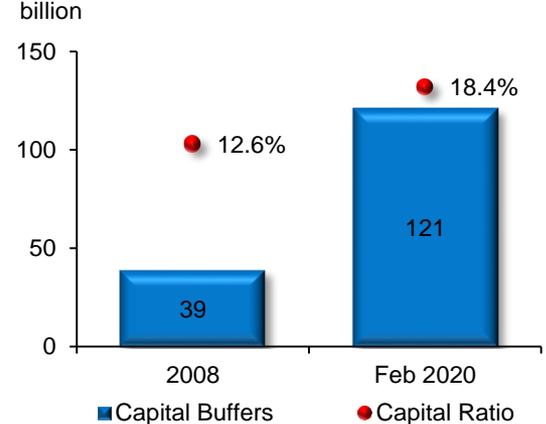
Current account remains surplus

Current Account Balance
% Share to GDP



Strong capital position with excess capital buffers

RM billion
Capital ratio and buffers

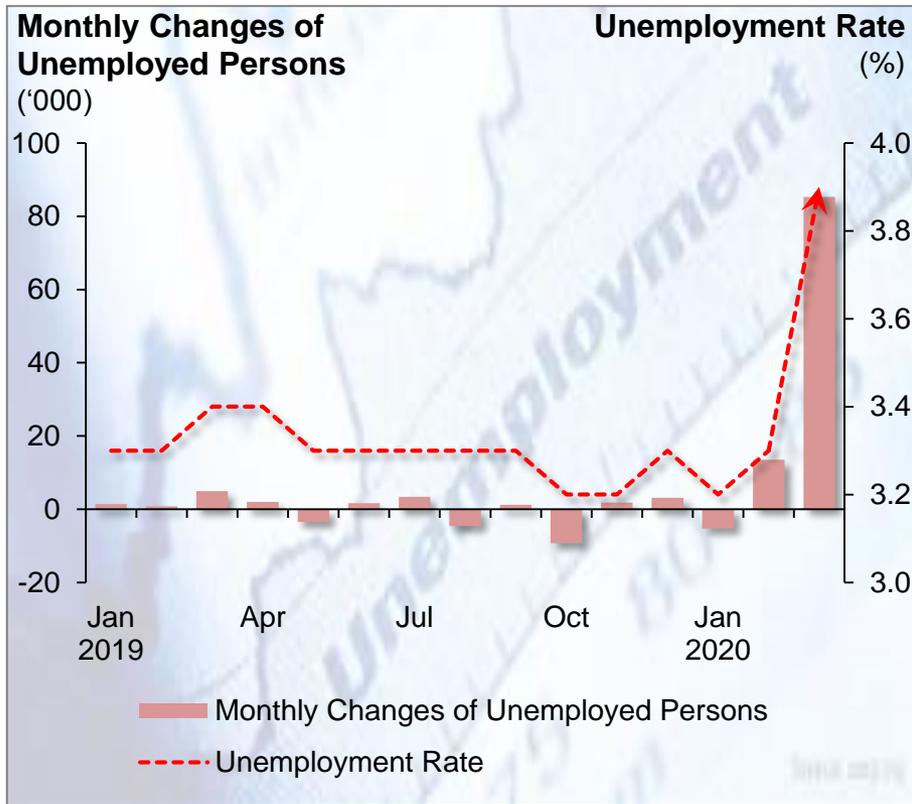


Source: BNM; DOSM

* G3: US, Euro Area and Japan; NIE: Hong Kong, South Korea and Taiwan

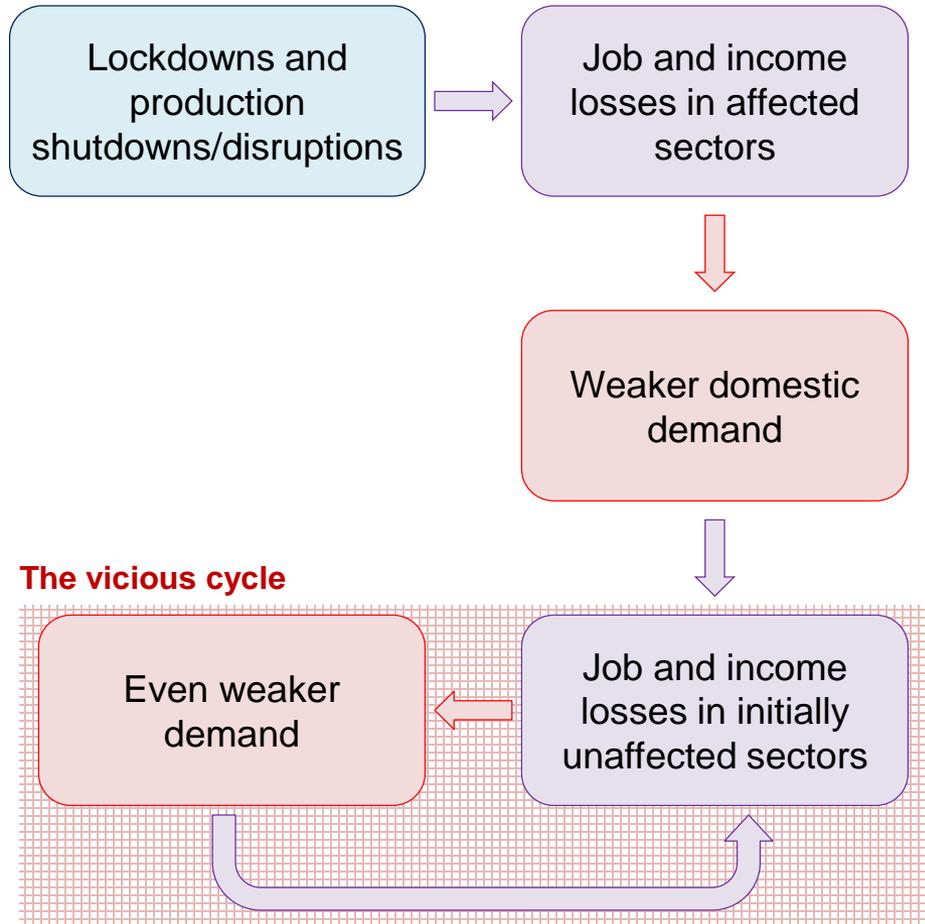
Economic repercussions from COVID-19 necessitate aggressive policy responses

Number of unemployed persons increased by 93,500 to 610,500 in March 2020 from 517,000 in end-2019. Expect unemployment rate to reach 4.5%-6.5% in 2020.



Source: BNM; DOSM

A **vicious cycle** of job loss and income retrenchment



The vicious cycle

Fiscal policy response – PRIHATIN RM266.1bn (18.4% of GDP)

Individual and household



Bantuan Prihatin Nasional (BPN)

- Household – RM1,600 (B40) or RM1,000 (M40)
- Single individual – RM800 (B40) or RM500 (M40)



Electricity Subsidy



Allow withdrawal from EPF Account 2 (i-Lestari)

4% pts to 7% from 11% for EPF employees' contribution rate



Cash assistance to e-hailing drivers, taxi drivers, tour guides, etc.

Business



Wage subsidies

- RM600, RM800 & RM1,200 per employee for three months (Apr-June)



Loan moratorium (April – September)

- Individuals and businesses



25% reduction in Foreign workers levy



EPF Employer Advisory & Waive HRDF contribution



Rental fees exemptions / reductions



Financing facilities

- Special Relief Facility (SRF)
- Micro credit schemes
- Special PRIHATIN grant

Fiscal policy response – PRIHATIN RM266.1bn (18.4% of GDP)

(cont.)

Healthcare



Provide allowance for essential workers (e.g. doctor, armed forces)



Increase allocation in healthcare spending

Fortifying economy



All projects under 2020 Budget will proceed (e.g. MRT, ECRL)



Additional allocation for small-scale projects

PRIHATIN's report card (as at 17 May)



BPN

Phase 1: 7.8m recipients received RM5.5bn
Phase 2: 7.6m recipients received RM3.4bn



Wage Subsidy

Approved RM2.2bn to 267,752 employers (or 2.0 million employees)



SME Soft Loans Funds

Approved RM5.8bn to 14,075 SMEs



i-Lestari

Approved 3.9 million applications (RM1.83bn/month)



Special PRIHATIN grant

642,979 applications amounting to RM1.9bn

Source: Ministry of Finance (MOF)

The Malaysian Economy

**Economic and Business impact –
Counting the cost**



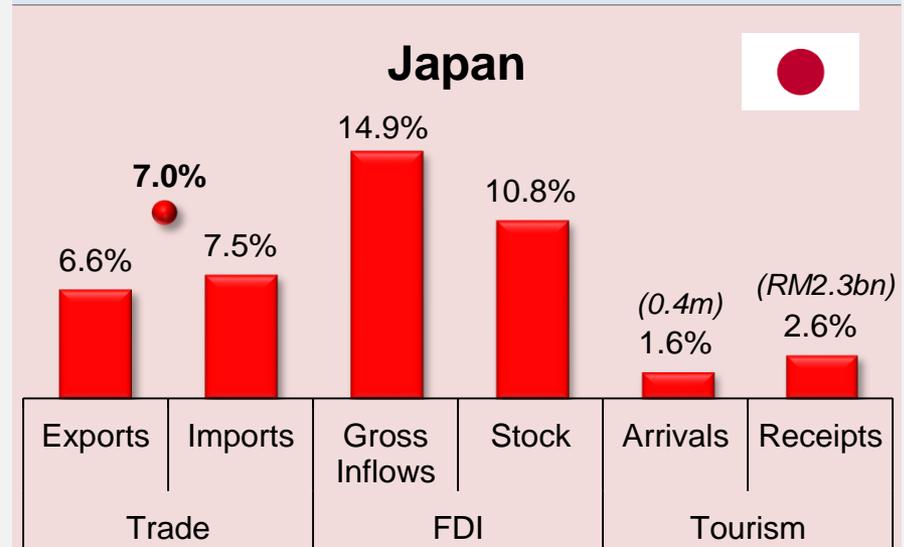
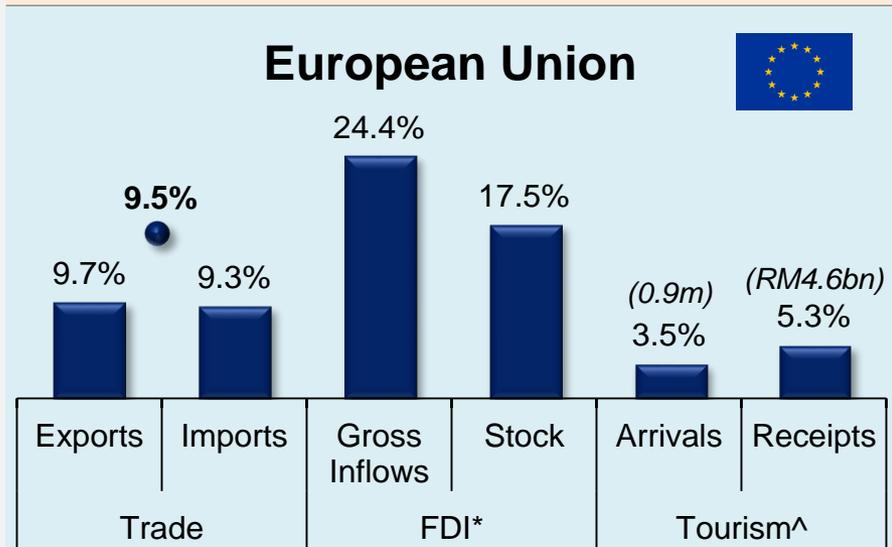
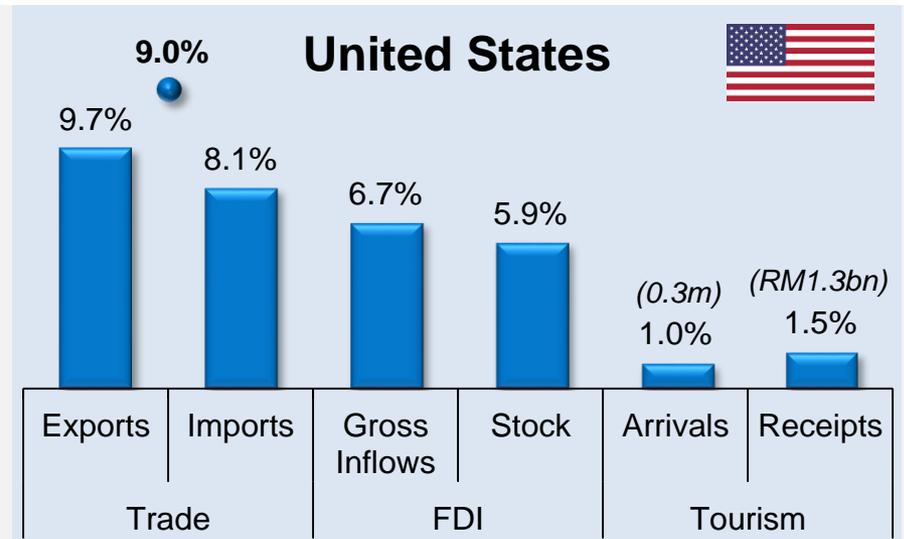
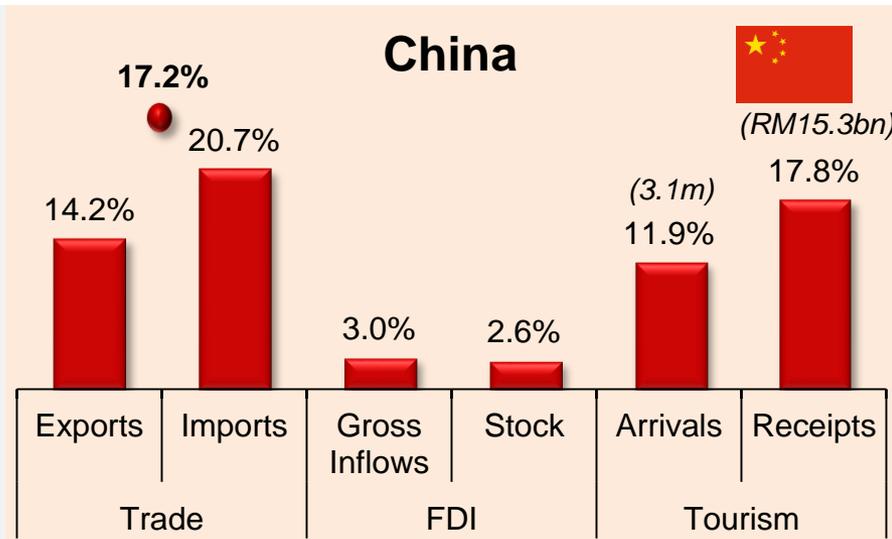
Malaysia's economic structure in different economic shocks

Share to GDP (%)	1998 (1997-98 AFC)	2003 (SARS)	2009 (2008-09 GFC)	2020* (COVID-19)
Services	48.2	46.0	53.2	57.7 ↑
Manufacturing	27.9	30.0	24.2	22.3
Mining and quarrying	7.9	10.3	10.5	7.1
Agriculture	9.6	8.4	7.9	7.1
Construction	4.0	3.8	3.1	4.7
Private Consumption	45.0	45.2	49.1	58.7 ↑
Public Consumption	11.0	12.8	12.5	12.2
Gross Fixed Capital Formation (GFCF)	30.3	22.9	22.5	23.1
<i>Private Investment</i>	17.5	8.4	11.6	16.8
<i>Public Investment</i>	12.7	14.4	10.9	6.3
Domestic Demand	86.3	80.8	84.1	94.0 ↑
Gross External Trade	181.7	170.6 ↓	138.5 ↓	121.5 ↓
Gross Exports	101.2	95.0 ↓	77.5 ↓	65.3 ↓
Tourism Receipts	3.0	5.1	7.5	5.7 ↓

* Reference year = 2019

Source: DOSM; BNM; Tourism Malaysia

Malaysia's major economic partners in 2019 (% share of total)



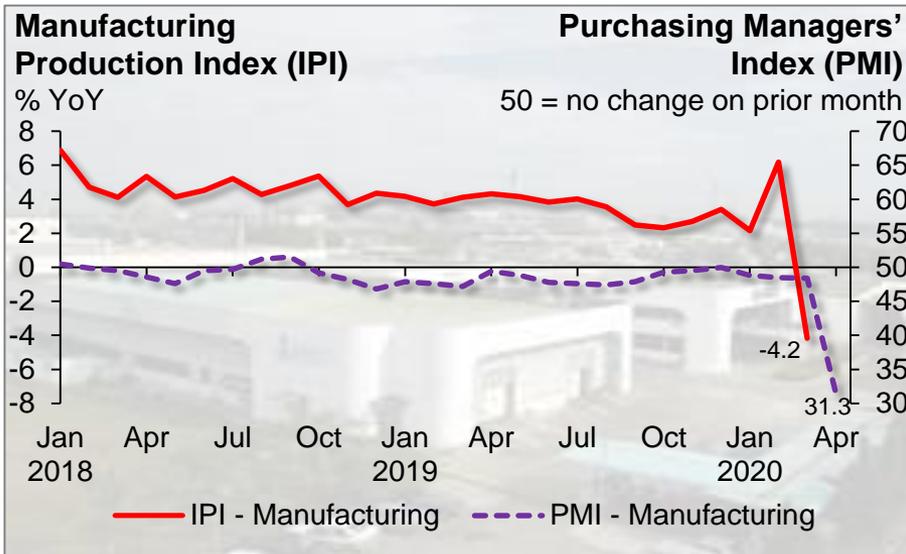
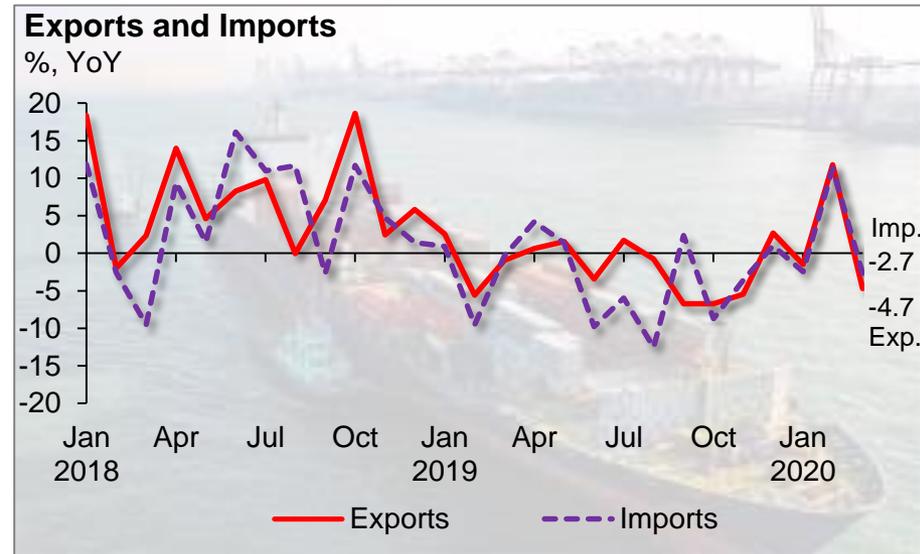
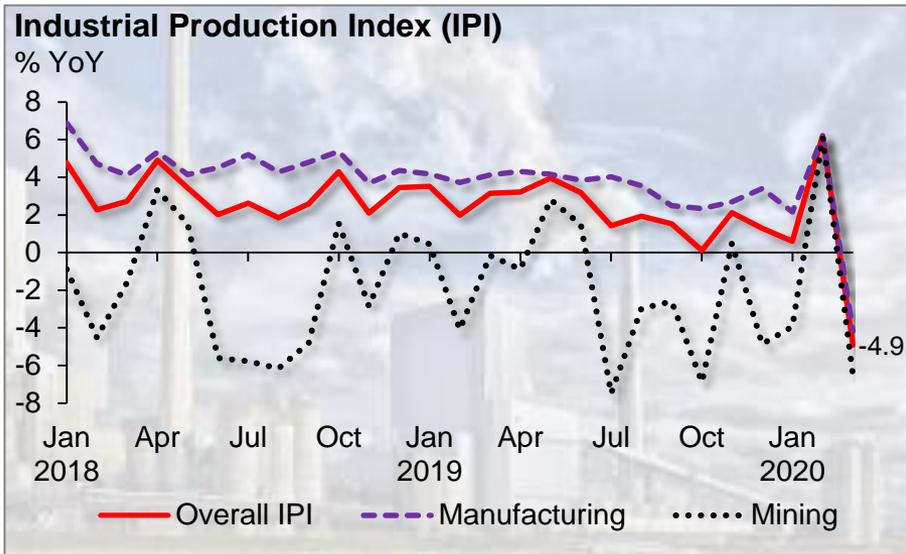
* Only includes Netherlands, Denmark, Luxembourg, Germany, France and UK

^ Only includes Germany, France, Spain, Italy, UK, Ireland, Sweden, Finland, Belgium, Netherlands, and Denmark

 Share of Total Trade

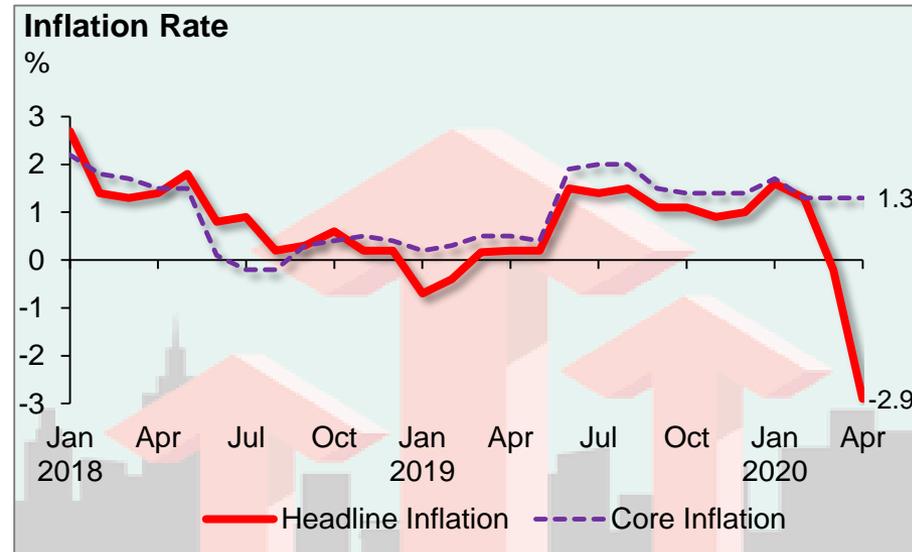
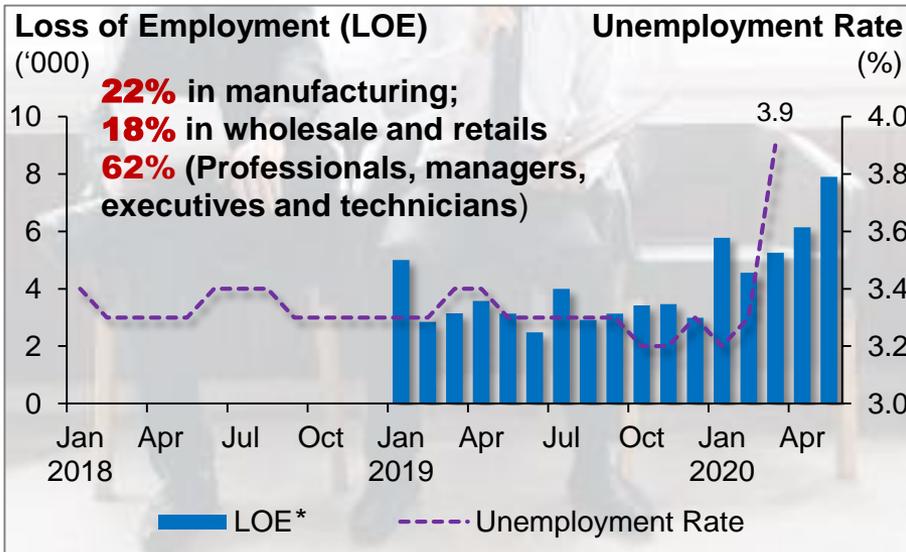
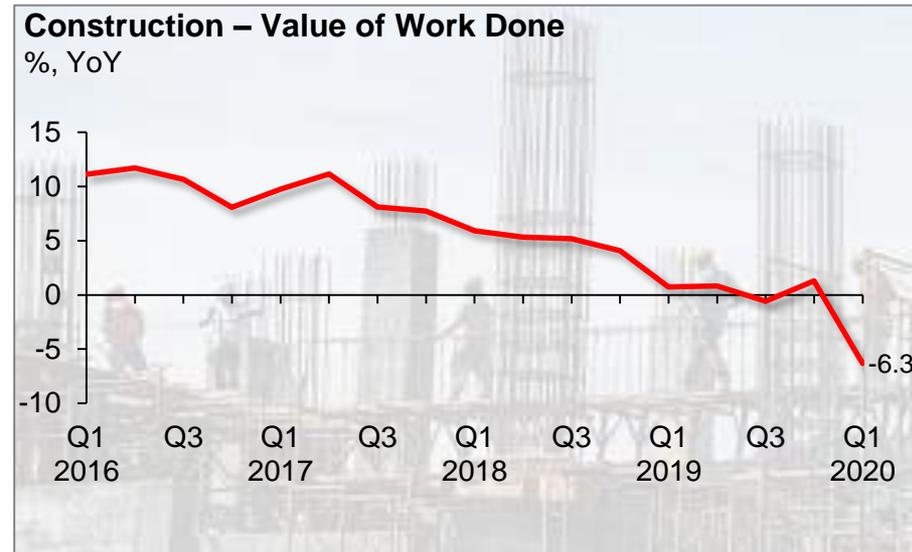
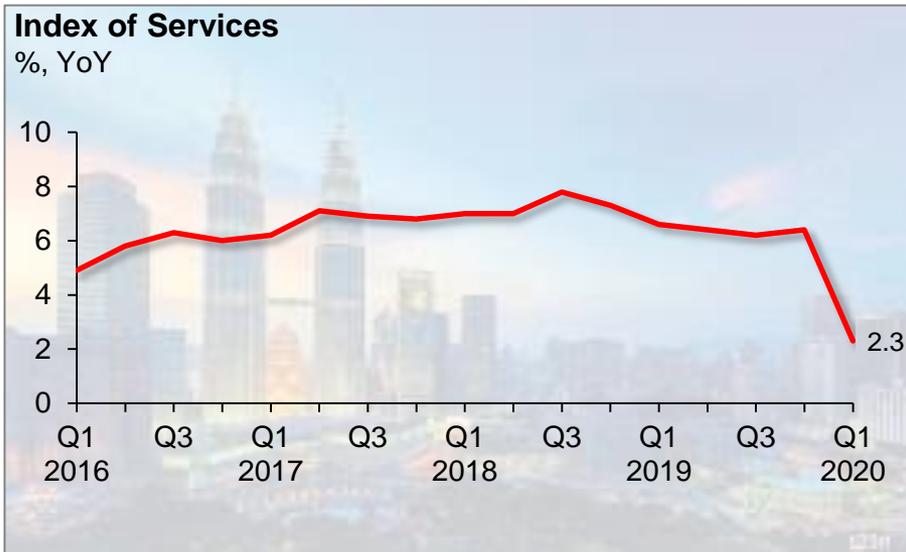
Source: BNM; Tourism Malaysia

High frequency data show contraction in March



Source: DOSM; IHS Markit

High frequency data show contraction in March (cont.)

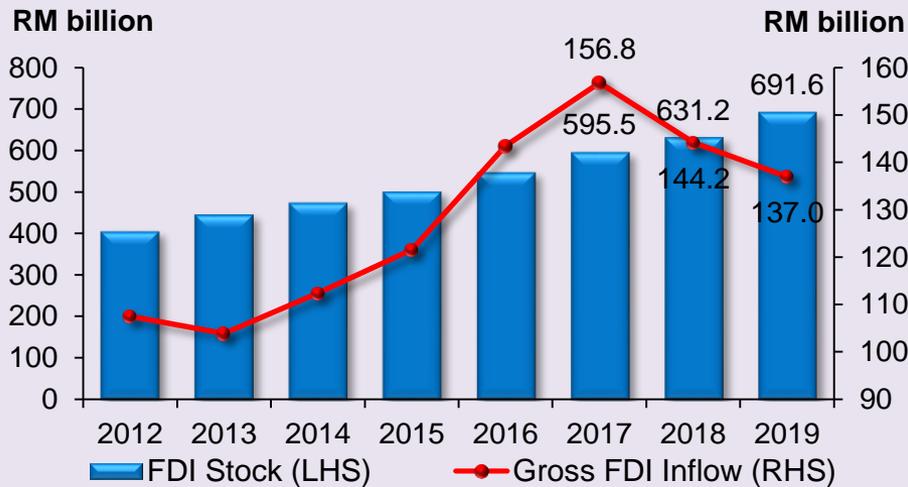


Source: DOSM; PERKESO

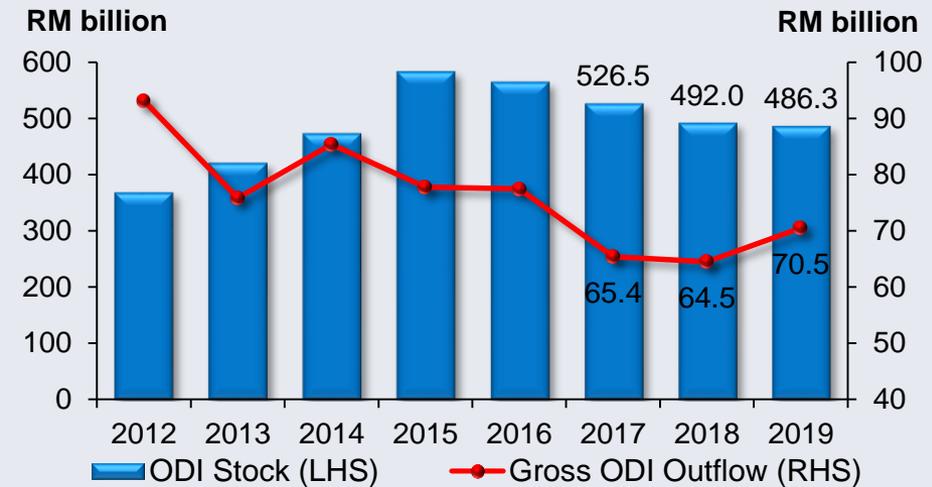
* 1-21 for May 2020

Long-term investment flows have moderated since 2016

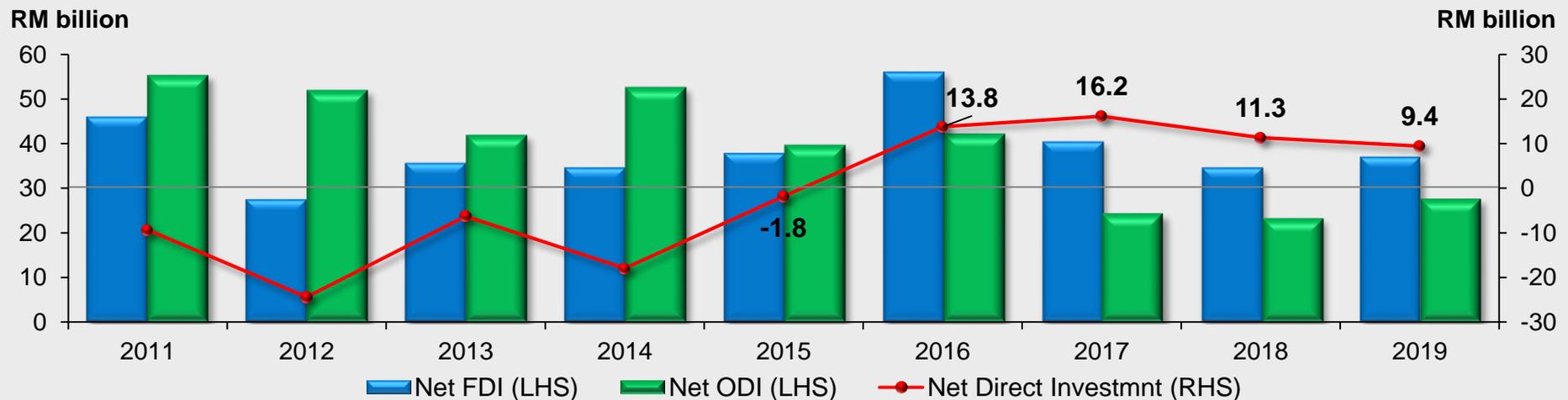
Gross FDI inflows continued to shrink



Gross ODI flows have increased; ODI stock declining at a slower pace



Malaysia has remained a net importer of capital since 2016



Source: BNM

The lockdown (MCO) impact – Counting the cost

Overall economy



The **Movement Control Order (MCO)** started **18 March**, all business and social activities were prohibited until 3 May, except those **providing essential items and services**.

During MCO, economic losses could be as high as **RM2.4bn** a day. As of 1 May, economic losses estimated at **RM63bn** (Equivalent to 4.2% of GDP)

GDP grew mildly by **0.7%** yoy in **1Q 2020** (Worst performance since 3Q 2009)

E&E Products



As the core export product and source of foreign currencies earning for Malaysia, the E&E industry is allowed to operate during MCO, but only can operate at limited capacity.

In the first three phases of MCO, **economic losses** in the E&E industry hit **RM7.3bn**, **export losses** reached **RM29.1bn**

E&E exports contracted by **13.9%** yoy in March 2020, the worst over the past seven years

Hospitality and tourism sector



Hospitality and tourism related sectors such as **hotel, F&B, transport, recreation and entertainment industries** will be hit the hardest. It is the first to get hit and the last to recover.

IATA pointed that Malaysia's airline industry will suffer a **revenue loss of US\$3.3bn**, affecting **169,700 employment**

MAH's survey indicated that as high as **15%** of hotel operators will be forced to **shut down permanently**

Retail sector



During MCO, 61% of retail operators unable to operate. **Other non-essential retailers were badly hit on weak consumption power**. Consumers tend to defer purchases of big ticket items or discretionary spending.

RGM expects sales to drop drastically by **60.7%** in the first four months of 2020 and **5.5%** for full year (Never declined since 1999)

Passenger car sales declined significantly by **59.6%** yoy in March and **99.7%** yoy in April 2020

Source: Various IATA = International Air Transport Association

RGM = Retail Group Malaysia

The lockdown (MCO) impact – Counting the cost (cont.)

SMEs

SME

Most SMEs suffered **severe cash flows** during MCO due to zero income. With PRIHATIN's assistance, many SMEs are able to survive from poor cash flow conditions in April and May.

55.6% of SMEs have **zero income** during MCO and **25.3%** no longer have cash at end-April

28.8% of respondents need to **restructure their businesses** while **23.4%** need to **scale down their operations**

Construction



Nearly all construction activities were prohibited. This has affected them to deliver on time and could trigger the terms under liquidated and ascertained damages (LAD). Businesses also unable to operate as usual due to various difficulties, including the Standard Operating Procedures (SOPs).

During the first phase of MCO, the sector lost **RM11.6bn**

Value of construction work done in 1Q 2020 declined by **6.3%** yoy, the largest drop over the past decades (Larger decline is expected in 2Q)

Labour market



Due to the COVID-19 outbreak and MCO, **businesses with zero income or low income were forced to retrench or pay cuts.** In the first three months of 2020, 15,602 persons were retrenched.

39.3% of respondents **planned for retrenchment**, **61.3%** planned for pay cuts

Unemployment rate increased to **3.9%** (**610,500 persons**) at end-March 2020 (end-Dec 2019: 3.3%; 517,000 persons)

Fiscal position and debt



Following a direct fiscal injection of RM36bn for the Economic Stimulus Package (ESP), it **pushed fiscal deficit higher and disrupted the pace of a gradual improvement in fiscal position.** Meanwhile, crude oil prices slumped also affected revenue.

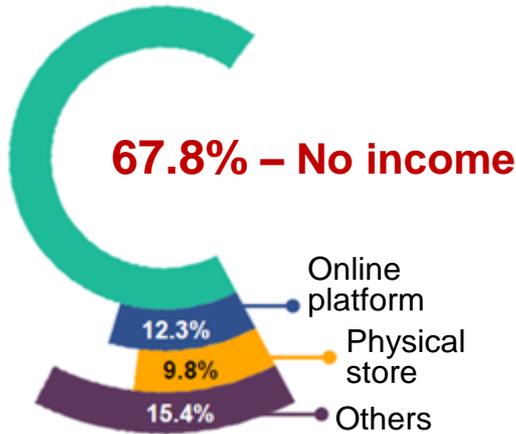
Fiscal deficit to GDP ratio is expected to widen to between **4.5%** and **5.0%** (2019: 3.4%)

As at April 2020, foreigners' holding of MGS continued to decline to **35.8%** (Lowest since Nov 2011)

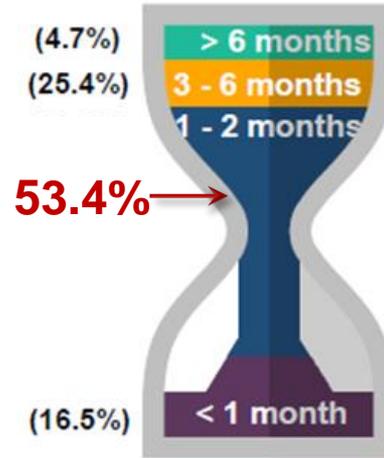
Source: Various

DOSM's Special Survey (10 Apr to 1 May): COVID-19's effects on the business sector

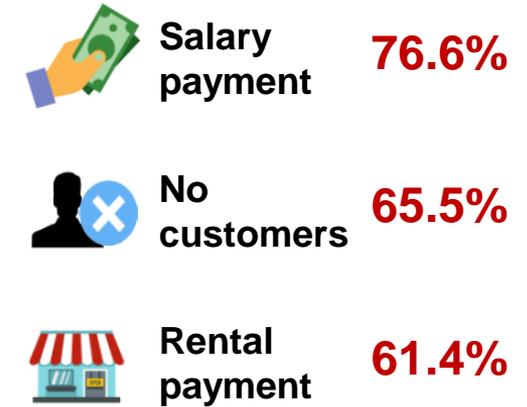
Sources of income



Survival duration if provide full/half salaries



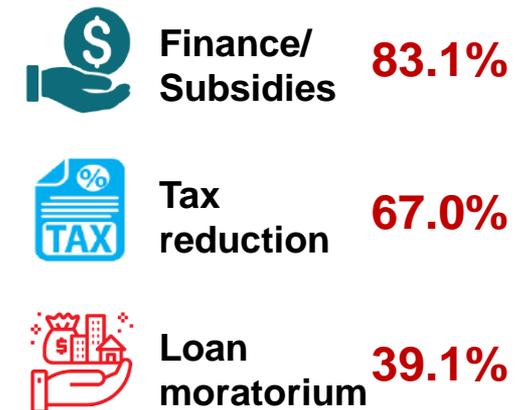
THREE MAIN ISSUES/CHALLENGES



Estimated duration of recovery for businesses



THREE MAIN ASSISTANCES NEEDED



Reopening the economy on 4 May – Channel checks



Businesses have started operations: 70-80%; segregation of employees between home and workplace. **About 10 million employees** have returned to work.



Manufacturing plants: 60-80%; high capacity utilization for personal protective equipment (PPE), rubber gloves, electronics, food processing and packaging materials.



Major shopping malls: 70-90% retailers have opened business; business hours: 10:00am to 7:00pm-8:00pm for selected shops; **customers – between 30% and 50% lesser** compared to pre-Movement Control Order (MCO).



Hotels: 8 out of 12 hotels have opened business. **Occupancy rate between 2% and 8%.**

Restaurants: Dined-in was constrained by the space; **take away still the preferred choice.**



Construction: 3,265 (87.4%) of 3,735 inspections conducted on construction sites, have yet to start operations as of 14 May.



Consumers still wary about the coronavirus; slowly returning but still a long way from prior MCO.



Businesses face slow sales amid maintaining high operating costs. As of 21 May, **300,630 employers** have applied wage subsidy benefiting **2.4 million employees.**



Employees face prospects of weak employment, pay cuts, no pay leave, furlough and layoff. As of 21 May: (a) **328,818 employees have been approved under Employment Retention Program** (unpaid leave subsidy); and (b) **29,647 workers have lost employment** based on the Employment Insurance System, 74.0% of total (40,084) in 2019.

The Malaysian Economy

Prospects in 2020-2021 – What might the recovery look like?



Malaysia must be prepared for tough times ahead

- A “new normal” path. Malaysia must be prepared for a tough time yet “new normal” path ahead post the COVID-19 global pandemic. The consensus is now building around a long U-shaped economic recovery going into 2020-2021.
- Given the following evolving economic and financial developments, **there are increasing downside risks to economic growth in 2020-2021.**



GLOBAL RECESSION IN 2020 – HOW DEEP AND DURATION? SLOW RECOVERY IN 2021-2022



CONTINUED VOLATILITY IN GLOBAL FINANCIAL MARKETS



MODERATING COMMODITY PRICES



PLUNGING CRUDE OIL PRICES



WEAKENING DOMESTIC AND BUSINESS CONDITIONS



VOLATILE STOCK MARKET AND DEPRECIATING RINGGIT



LINGERING CONCERNS ABOUT THE US-CHINA'S TRADE TENSION

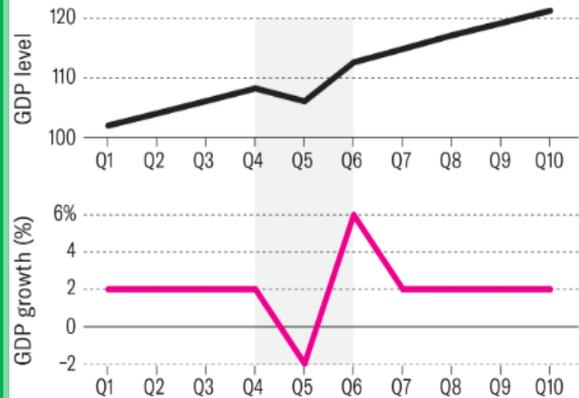
Malaysia's economic growth scenarios for 2020-2021*

Scenario	Projected GDP growth in 2020	Projected GDP growth in 2021
<p>Upside</p>  <ul style="list-style-type: none"> • Global growth stabilisation and recovery • COVID-19 outbreak is contained in 1H 2020. Hopeful for a vaccine in 2021 • Monetary and fiscal stimulus help to cushion the dampening impact 	<p>-1.5% to +0.5%</p>	<p>5.5%-7.5%</p>
<p>Base Case</p>  <ul style="list-style-type: none"> • A prolonged COVID-19 outbreak disrupted supply chains and dampened domestic demand • Financial turbulence • Fiscal and monetary stimulus help to ease the magnitude of impact 	<p>-3.0%</p>	<p>4.5%-5.0%</p>
<p>Downside</p>  <ul style="list-style-type: none"> • Deeper global recession • Deepening impact from a prolonged COVID-19 outbreak • Sharp correction in equities and commodities market • Ineffective monetary and fiscal stimulus 	<p>-7.0%</p>	<p>1.5%-3.0%</p>

* SERC's estimates

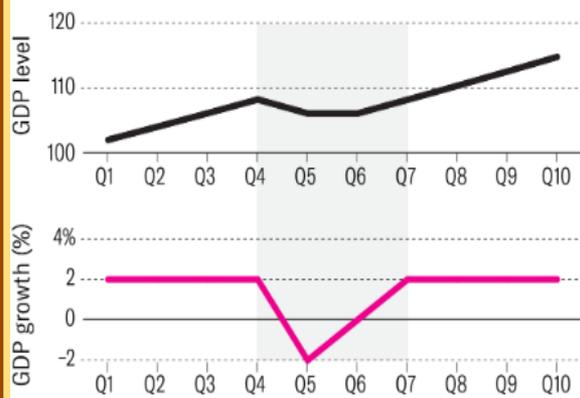
Malaysia's recovery path - Long U-shaped

"V" scenario



A **V-shaped** scenario depicts a classic economic shock, where growth eventually rebounds.

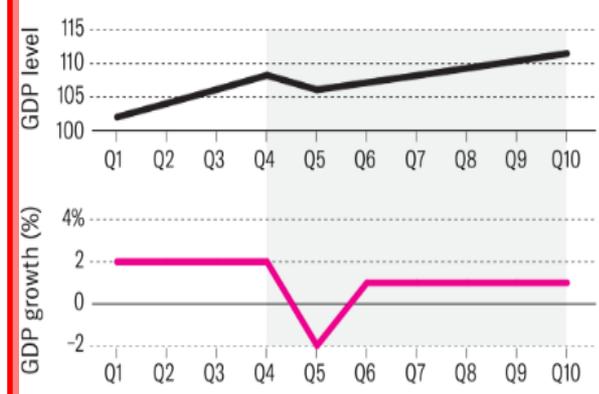
"U" scenario



In a **U-shaped** scenario, there is some permanent loss of output after the initial shock.



"L" scenario



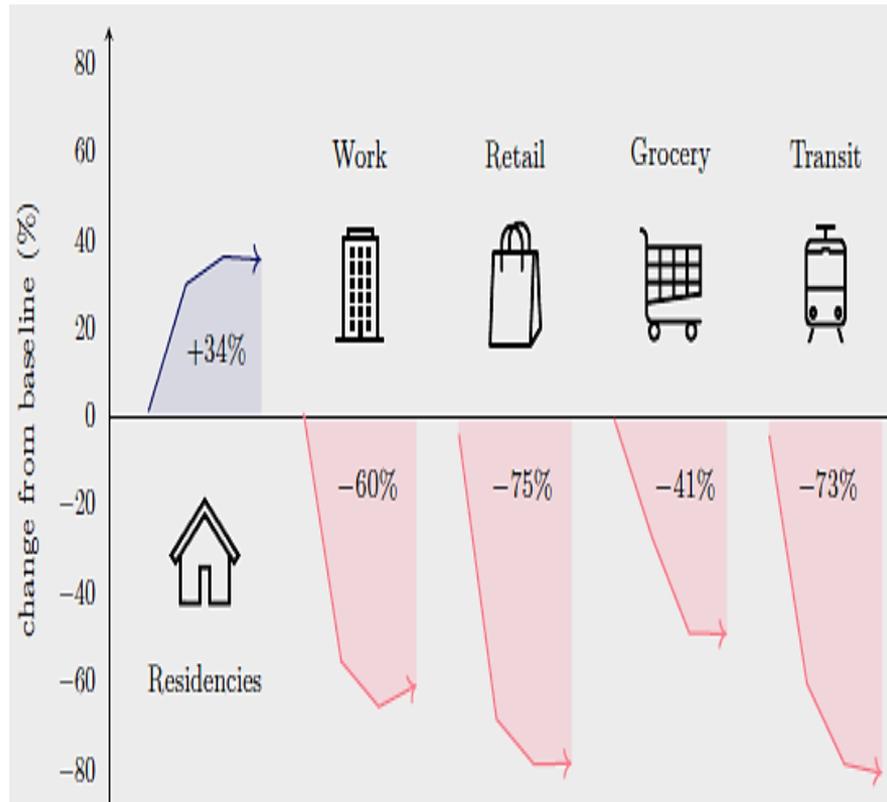
An **L-shaped** scenario signals real structural damage, with a significant impact on growth.

Source: BCG Center for Macroeconomics analysis

GDP to contract sharply (estimated -11.5%) in 2Q 2020

Base case scenario GDP at -3.0% in 2020: The economy will reach a trough in 2Q and print a smaller magnitude of contraction (-3.4% in 3Q) before reverting to +2.2% in 4Q.

Mobility by Location Type between 15 Feb and 31 Mar; April-4 May (baseline: 3 Jan to 6 Feb)



Electricity generation (GWh)

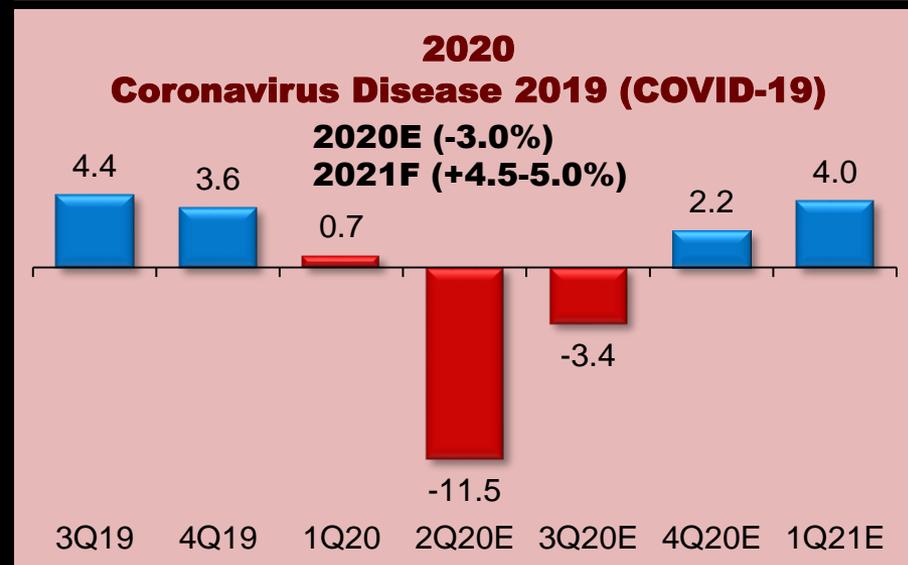
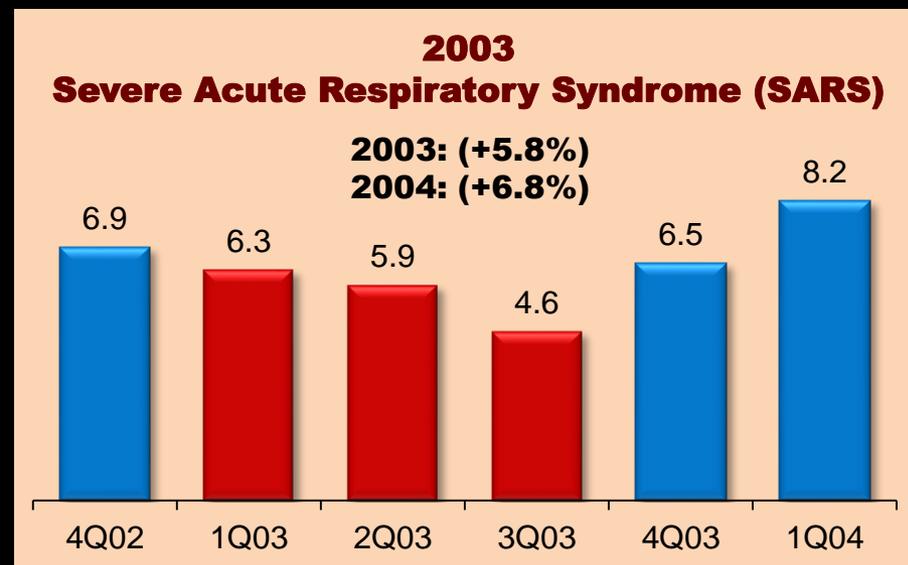
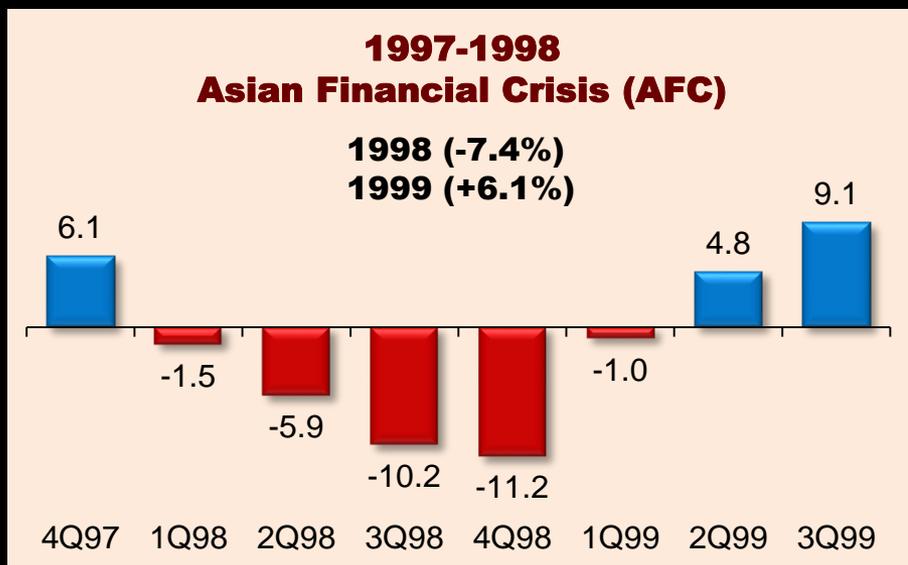


Selected regional economies' exports



Source: BNM; DOSM; Google; TNB and national authorities

The duration and depth of economic recession and recovery



Source: BNM; DOSM; SERC

Permanent demand destruction vs. spending shifts vs. spending declines

Private Consumption Growth

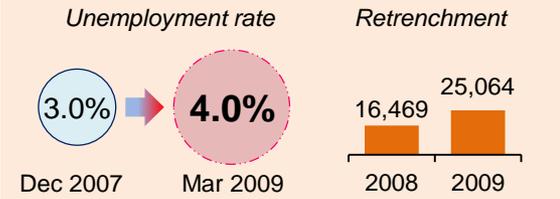
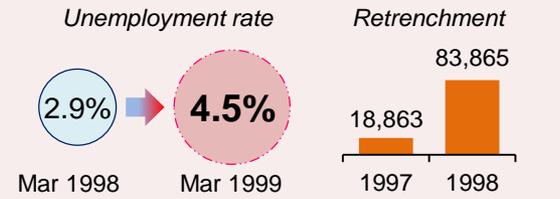
(%, YoY)



Currency Crisis induced
Massive income and wealth destruction
(bust in stock and property markets)

US Subprime Crisis induced
Global Financial Crisis

Health Pandemic inflicted
Global Recession



BNM intervention rate reduced from **11.00%** as at end-Feb 1998 to **5.50%** as at end-Aug 1999

OPR reduced from **3.50%** as at end-Oct 2008 to **2.00%** as at end-Feb 2009

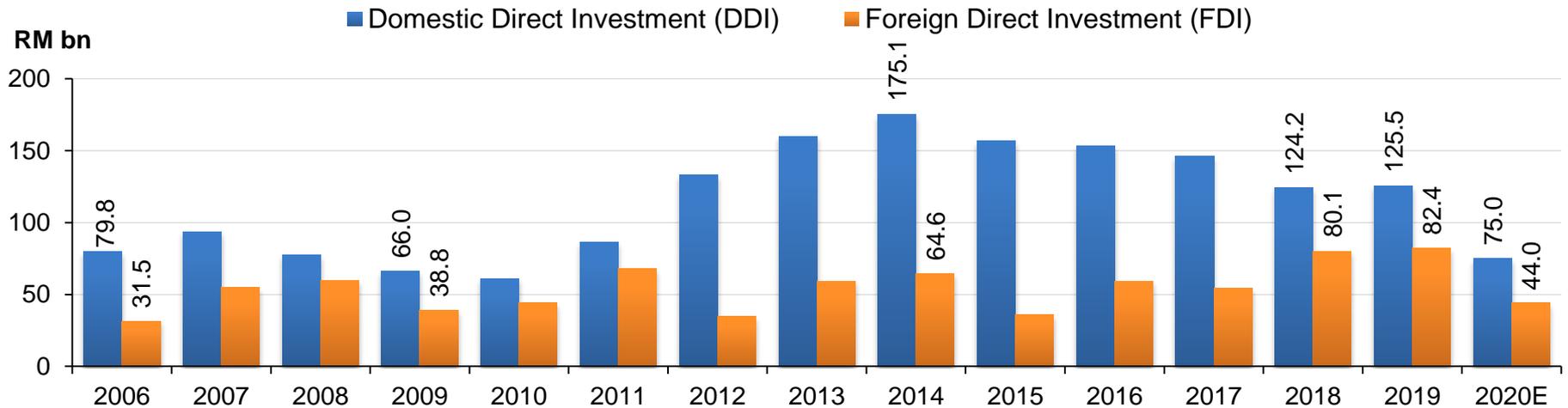
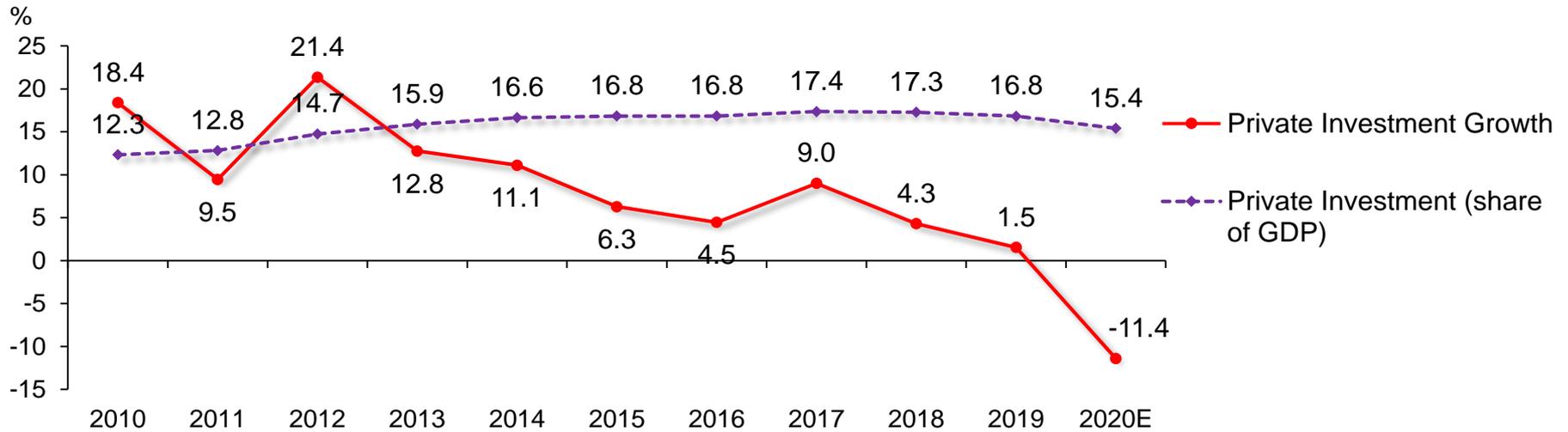
OPR reduced from **3.25%** as at end-Mar 2019 to **2.00%** as at May 2020

Source: DOSM; BNM; SERC

3-pt reduction in employees' EPF contribution rate Cash handout

4-pt reduction in employees' EPF contribution rate Cash handout EPF withdrawal moratorium

Private investment has been trending down in recent years



Note: Figure in parenthesis indicates changes of investment amount on year-on-year basis.

Source: DOSM; MIDA; SERC

Almost all economic sectors will decline except services



Services

2020F: 2.3% (SERC: -0.8%)

2019: 6.1%; share of GDP: 57.7%

- Impact of COVID-19 and MCO on tourism-related and consumer services is cushioned by stimulus measures
- Supported by a gradual improvement in household spending



Manufacturing

2020F: -8.6% (SERC: -8.0%)

2019: 3.8%; share of GDP: 22.3%

- Inputs procurement disrupted by prolonged factory closures in key industrial hubs in the COVID-19 affected countries
- Production disruptions abroad also lower demand for manufactured products



Agriculture

2020F: -2.9% (SERC: -3.0%)

2019: 2.0%; share of GDP: 7.1%

- Low oil palm production is expected to extend into early 2020 as well as output constraints arising from MCO
- Disruptions to dissipate gradually as weather conditions normalise later
- BNM's estimates: RM2,000-RM2,200/mt



Construction

2020F: -1.9% (SERC: -1.0%)

2019: 0.1%; share of GDP: 4.7%

- Further progress in the implementation of transport-related projects
- MRT2, LRT3, Pan Borneo Highway
- Implementation of more small-scale projects worth RM4 billion



Mining

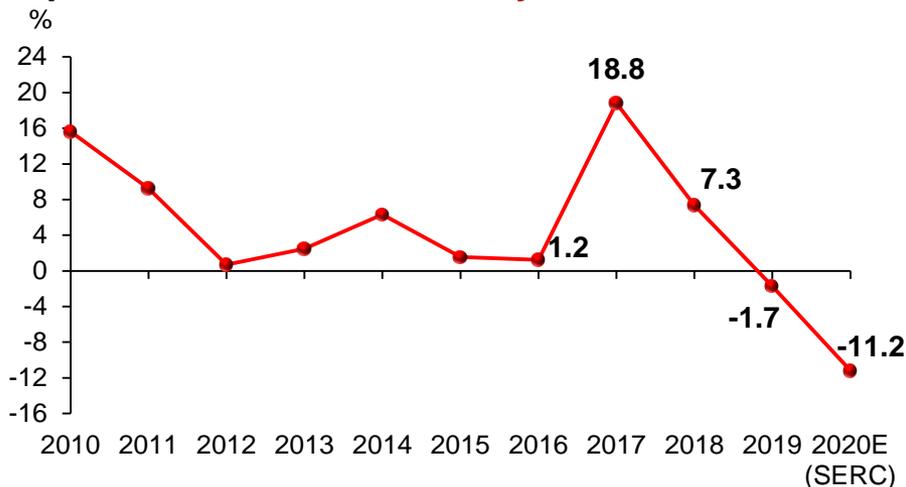
2020F: -4.2% (SERC: -3.8%)

2019: -2.0%; share of GDP: 7.1%

- Sharp decline and volatile shifts in crude oil and LNG prices (BNM's estimates: US\$25-US\$35 per barrel for Brent crude oil and RM1,150-RM1,250 per tonne for LNG)
- Affected by continued maintenance works. But, operationalisation of new fields in Sarawak and PETRONAS Floating LNG Dua (PFLNG2) facility in Sabah will partially offset the decline in output

Import compression helps to keep current account surplus

Exports increased by 1.1% in 1Q 2020 and are expected to **decline further by 11.2% in 2020**

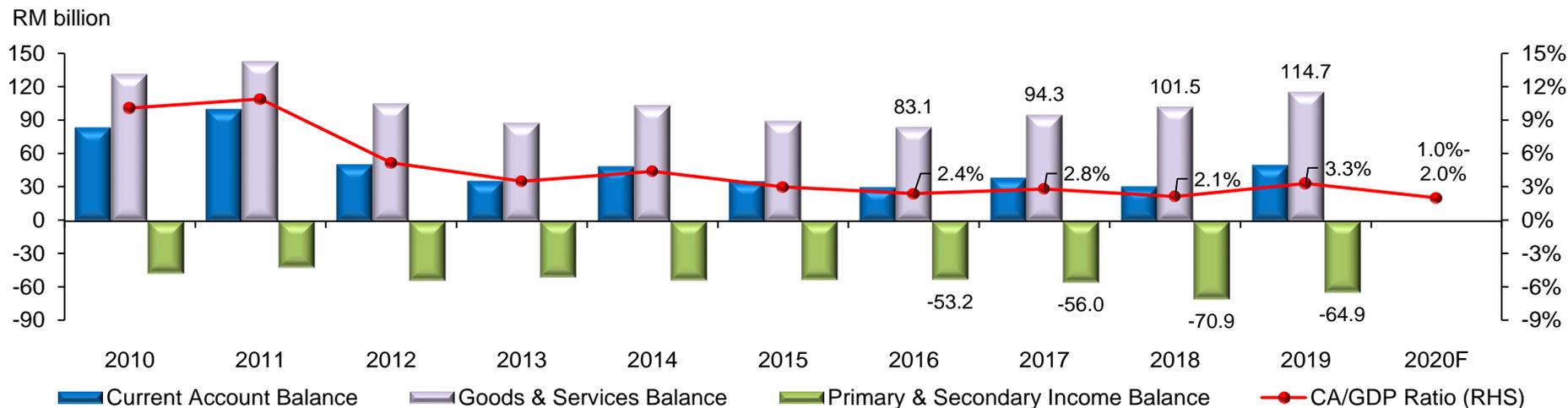


Exports performance of key products in 1Q 2020

Major export products	RM billion	% Growth
E&E products [33.6%]	84.4	-7.6
Petroleum product [9.6%]	19.5	28.3
Chemical and related products [6.0%]	13.3	-5.6
Palm oil [3.8%]	9.4	4.3
Manufactures of metal [3.5%]	8.9	-5.8
LNG [4.2%]	10.7	-12.1
Machinery & equipment [3.8%]	9.9	1.9
Optical & scientific equipment [3.9%]	9.5	9.2
Crude Petroleum [2.9%]	6.2	-8.8

Figure in parenthesis indicates % share of gross exports in 2019

Current account surplus is expected to narrow further to **1.0%-2.0% of GDP in 2020**



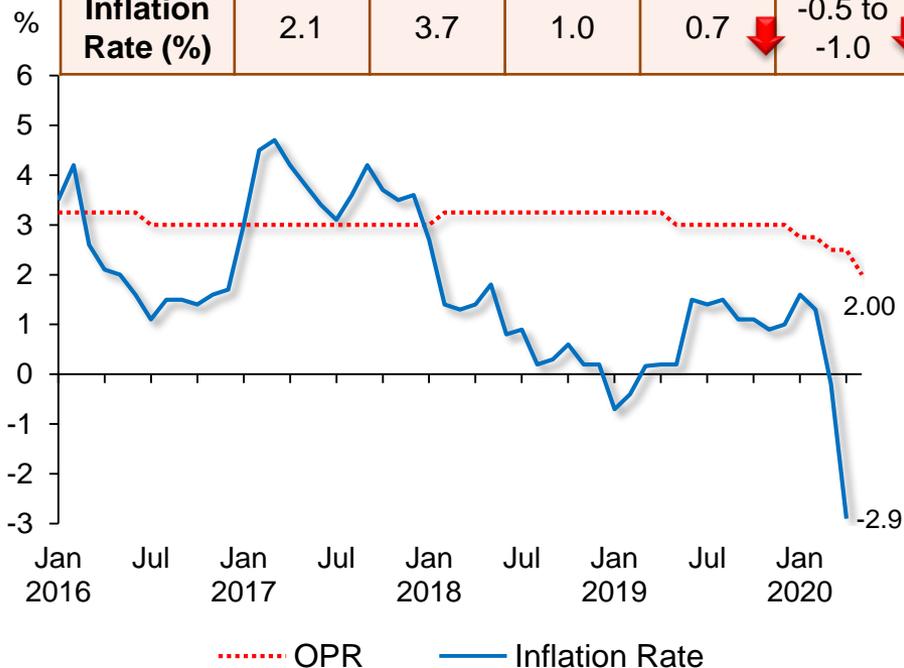
Source: DOSM; BNM; SERC

Is there a risk of sustained deflation?

- Prices have slipped into deflation territory (-2.9% yoy in Apr and -0.2% in Mar) and -0.1% in 4M 2020. Transport prices were the distortionary factor due to the tumbling petrol prices.
- 20% of goods in the CPI basket saw a decrease in prices in 1Q 2020.

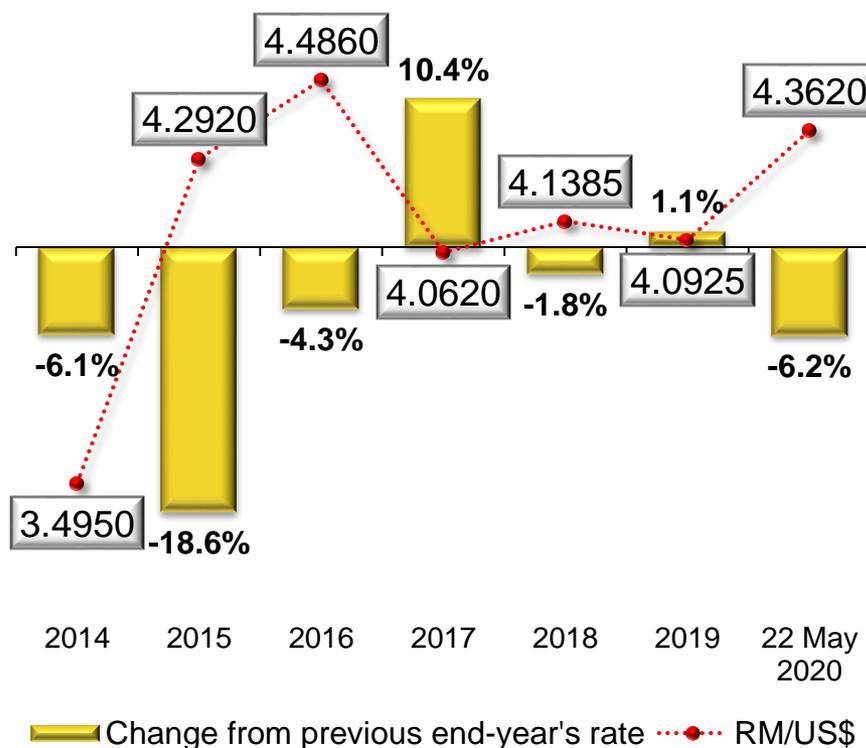
Lower oil prices-induced deflation in 2020

Year	2016	2017	2018	2019	2020E*
OPR (%)*	3.00	3.00	3.25	3.00	2.00
Inflation Rate (%)	2.1	3.7	1.0	0.7	-0.5 to -1.0



* OPR as at end-period

Ringgit outlook: RM4.30-RM4.50 per US dollar at end-2020



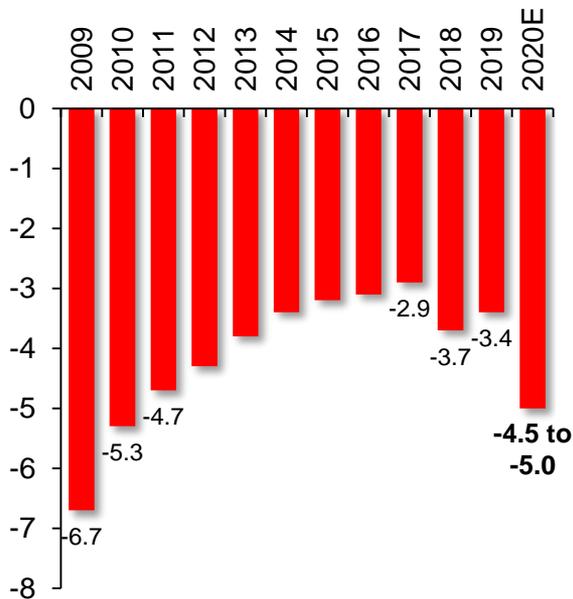
Note: Exchange rate (12:00 rate) as at end-period

Source: DOSM; BNM; * denotes SERC's estimates

Fiscal deficit may not matter much in an economic recession

Fiscal deficit is expected to widen to 4.5% to 5.0% in 2020

Fiscal Deficit
% to GDP



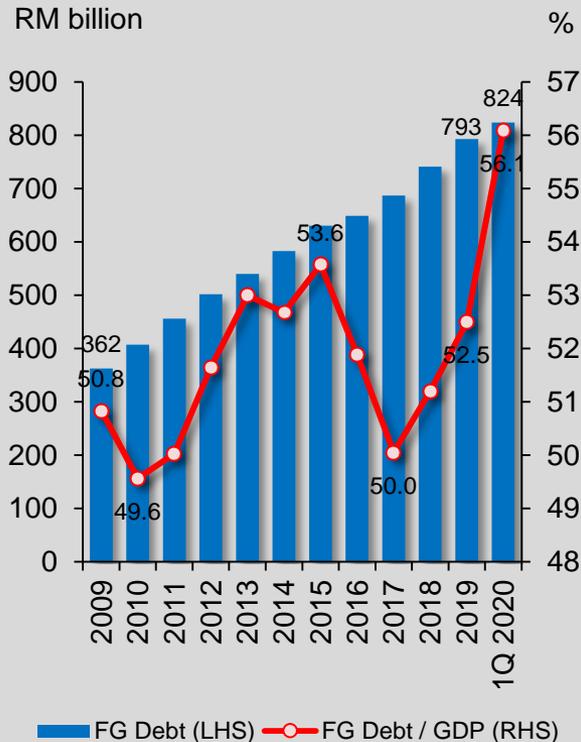
Sovereign ratings

- S&P: **A-** (Stable)
- Moody's: **A3** (Stable)
- Fitch: **A-** (Negative)

Source: BNM; MOF; S&P; Moody's; Fitch

Review of statutory debt limit; self-imposed administrative 55% of GDP ceiling?

Federal Government Debt
% to GDP



➤ Revenue enhancement

- Additional non tax revenue
 - RM6bn from PETRONAS
 - RM1bn from BNM
 - RM1.5bn from Khazanah
 - RM4.5bn from MCMC spectrum sales
 - RM4.5bn from KWAP
- Reintroduction of Goods and Services Tax (GST)?
- Privatisation of some government-owned assets

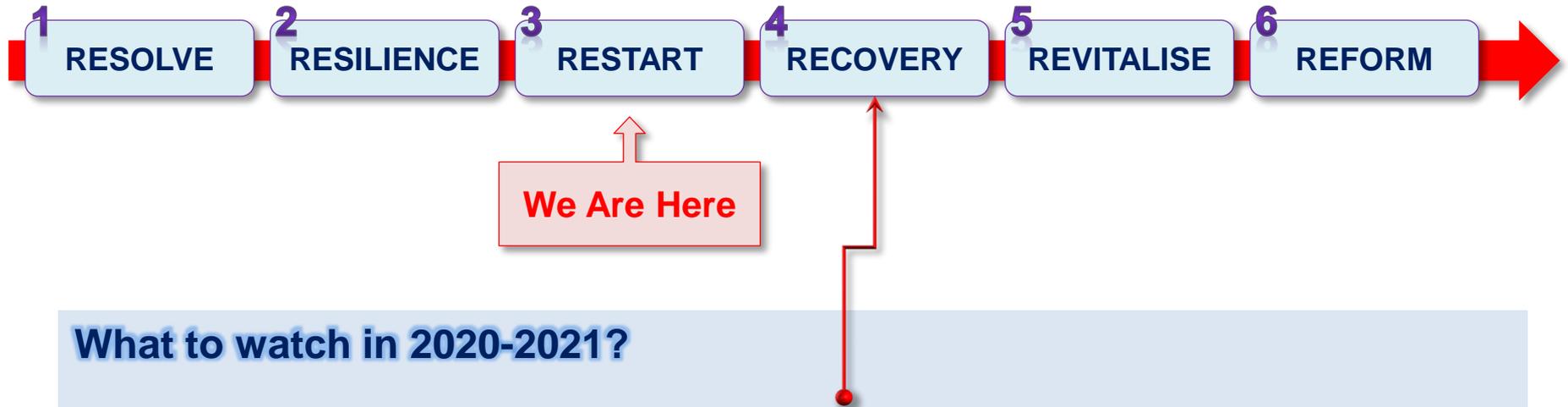
➤ Expenditure rationalisation

- More targeted subsidy; savings from fuel subsidy
- Reprioritisation and reallocation of expenditure
- Shortfall in spending due to MCO

Malaysia's Economic Recovery Plan (Short-, medium- and long-term)



Malaysia has adopted six approaches or **6Rs (RESOLVE, RESILIENCE, RESTART, RECOVERY, REVITALISE AND REFORM)** to balance between the COVID-19 containment and people livelihood as well as the economy.



What to watch in 2020-2021?

- 1 June 2020 – Short-term Recovery Plan
- Jul-Aug 2020 (tentative) – Economic Recovery Plan
- Sep 2020 (tentative) – 4th Malaysia Industrial Master Plan (2021-2030)
- Early Nov 2020 – 2021 National Budget
- Jan 2021 – 12th Malaysia Plan (2021-2025)

Focused priorities in the immediate- and short-term

- **Broader stimulus.** The Government has implemented **RM266.1 billion fiscal, monetary and micro-financial measures** to shallow the amplification of economic damages and financial losses on domestic economy and businesses (targeted) in the immediate-and short-term.
- **Securing a swift recovery while focussing on addressing investors' lingering concerns** about domestic political environment and future policy direction over the medium-term. The **immediate priorities** are to:

1. RESTORE CONFIDENCE ON ECONOMIC AND POLITICAL STABILITY

2. REASSURE POLICY CONTINUITY

3. SWIFTLY IMPLEMENT TARGETED FISCAL SPENDING

4. EASE BUSINESS CASH FLOW PROBLEMS

5. SUSTAIN PRIVATE CONSUMPTION; EASE UNEMPLOYMENT

6. REVITALISE INVESTMENT (DDI and FDI)

7. DIGITALISATION AND AUTOMATION

8. RESKILLING AND UPSKILLING WORKFORCE

9. UPLIFT EXPORTS CAPACITY

10. REJUVENATE SLUGGISH PROPERTY SECTOR

Malaysia: Recovery, Revitalise and Reform



Malaysia's Economic Recovery Plan (ERP) in the medium-and long-term will constitute **FIVE** key pillars as follow:

- FIRST: FISCAL STABILITY AND GROWTH STABILISATION PACT**
- SECOND: UNLOCKING NEW SOURCES OF GROWTH**
- THIRD: REINFORCE COMPETITIVENESS AND PRODUCTIVITY NEXUS**
- FOURTH: SMART AND DIGITAL TECHNOLOGY-DRIVEN INVESTMENT**
- FIFTH: UPSKILLING WORKFORCE AND EDUCATION FOR THE FUTURE**



The Government must continue to **implement credible economic, institutional and political reforms, including fiscal discipline, political stability and institutional quality.**



Malaysia's institutional quality must be strengthened further with **a wider implementation of open and competitive tender, fiscal transparency, anti-corruption measures and institutional reform measures to promote accountability and fiscal responsibility.**

Malaysia's Economic Recovery Plan (Short-, medium- and long-term) (cont.)



Restore consumer and investor confidence on the economy and political stability. **Macro and political stability** are essential to ensure a sustained economic revival.



Policy continuity and meaningful reforms should take priority to shore up confidence and economic sustainability.



More importantly, **to avoid policy flip-flops** as it hurts businesses and worrying investors.



FDI and Domestic Direct Investment (DDI) are equally important. **Review of investment incentives and facilitation measures** as well as **ease cost of doing business to enhance business friendly and competitive place** of doing business and investing.

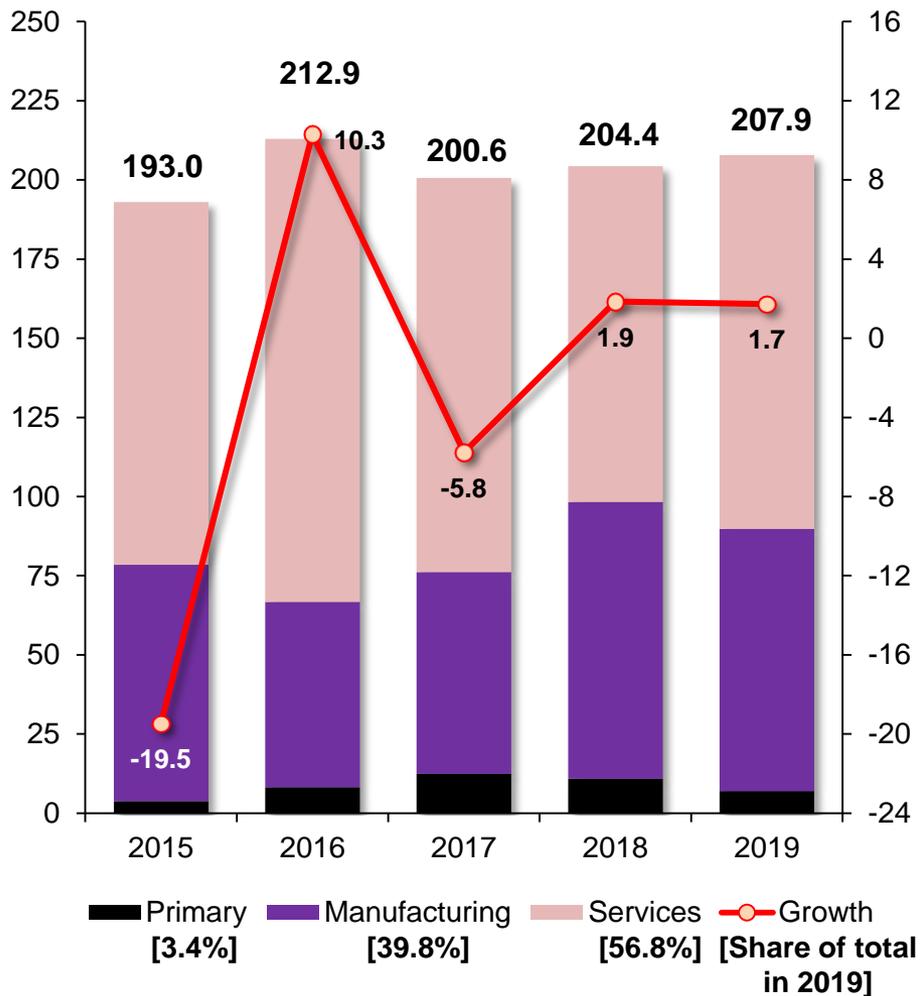
- ✓ Reduce corporate tax rate from current's 24%. SMEs' tax rate at 17%
- ✓ Domestic Investment Strategic Fund, Industry4wrld Intervention Fund
- ✓ Reinvestment Allowance, Accelerated Capital Allowance, Investment Tax Allowance, Automation Capital Allowance

Share of approved domestic investment is shrinking

() indicates share of total approved investments

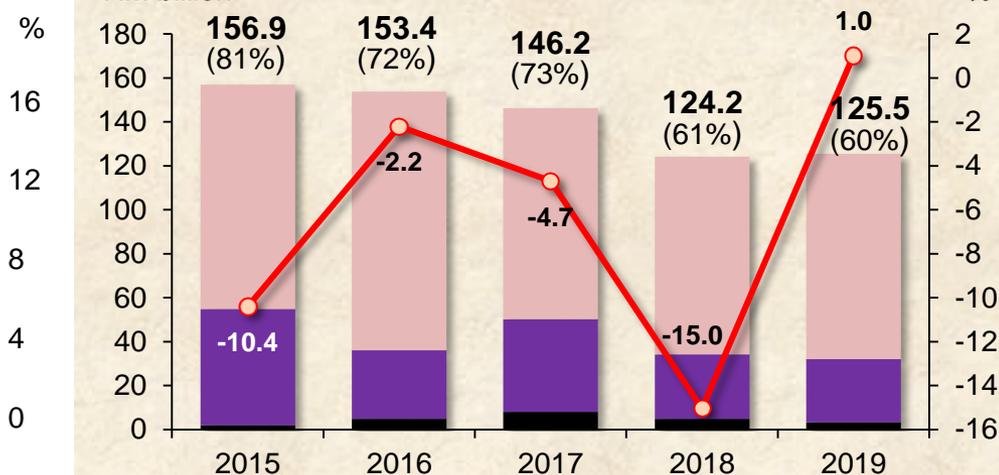
Total approved investments in Malaysia

RM billion



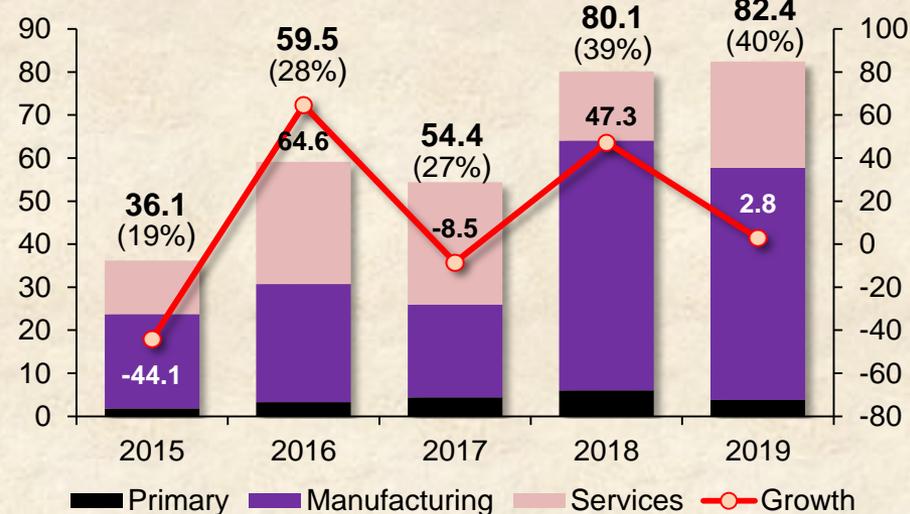
Total approved domestic investments

RM billion



Total approved foreign investments

RM billion



Source: MIDA

Malaysia's Economic Recovery Plan (Short-, medium- and long-term) (cont.)



Focusing on investing in “new smart infrastructure” used for high-tech, digitalisation and sustainable purposes (renewable energy, climate change, eco-green). These include, big data centres, 5G infrastructure, and charging stations for new energy vehicles (NEVs), solar energy, healthcare, medical devices, defense technology and aerospace, etc.



Digitalisation and e-Commerce. The implementation of RM21.0 billion National Fiberisation and Connectivity Plan (NFCP) (2019-2023), the IndustryFWRD Plan (2018-2025), Malaysia's Digitalisation Plan and Malaysia's National E-commerce Strategic Roadmap.



Smart agriculture, food, Halal industry in addition to rubber products (gloves), palm oil and oil palm products, wood and wood-based products.



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谢谢
THANK YOU

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