



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

**Program Strategik Memperkasa Rakyat
dan Ekonomi Tambahan (PEMERKASA+)**

The Lockdown Tempers the GDP Outlook

31 May 2021

PEMERKASA+
Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan

RM40.0 billion PEMERKASA+ package

- The critical stage in the race to end deadly COVID-19 pandemic with exponential rise in infections and deaths as well as overloaded healthcare system, has forced on the Government to implement a **three-phase nationwide lockdown that will start with a "total lockdown" from 1-14 June 2021**; followed by four weeks under the second phase of lockdown; and the third phase, which will be similar to the Movement Control Order (MCO) restrictions presently in force.
- The Government introduced a **RM40 billion Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan (PEMERKASA+)**, the 8th economic stimulus and recovery package rolled out since 2020. It contains twelve initiatives to strengthen the capacity of public healthcare system; ease financial burden of households and individuals; and ensure the business sustainability of SMEs and micro business.
- **The RM5.0 billion fiscal injection** will be funded either through savings on expenditure by reprioritising, borrowings as well as increasing revenue from dividends derived from government-linked companies and statutory bodies.
- It is likely that the **Federal Government's overall fiscal deficit target may be tweaked higher from the current estimates of 6.0% of GDP in 2021** (2020: -6.2% of GDP). Similarly, the **statutory debt level could be increased above the present estimated 58.5% of GDP by end-2021** (Debt ceiling is set at 60% of GDP).

Malaysia's economic stimulus and recovery packages since 2020

Economic packages for the period 2020 to 31 May 2021

Package	Worth (RM billion)	% of 2020's GDP	Fiscal injection (RM billion)	Announcement date
1. Economic Stimulus Package (ESP)	20.0	18.4%	35.0	27 Feb 2020
2. PRIHATIN Economic Stimulus Package	230.0			27 Mar 2020
3. PRIHATIN SME+	10.0			6 Apr 2020
4. PENJANA	35.0	2.5%	10.0	5 Jun 2020
5. KITA PRIHATIN	10.0	0.7%	10.0	23 Sep 2020
6. PERMAI Assistance Package	15.0	1.1%	6.6	18 Jan 2021
7. PEMERKASA	20.0	1.4%	11.0	17 Mar 2021
8. PEMERKASA+	40.0	2.8%	5.0	31 May 2021
Total	380.0	26.8%	77.6 (5.5% of 2020's GDP)	

Source: Ministry of Finance, Prime Minister Department

Note: Nominal GDP in 2020 was RM1,415,163 million

PEMERKASA+ at a glance

PEMERKASA+ has three objectives with a total of 12 initiatives as follow:

RM40 billion

Enhancing the
Capacity of
Public
Healthcare

Continuing the
'Prihatin Rakyat'
Agenda

Supporting
Business
Continuity



PEMERKASA+ initiatives

List of strategic initiatives and measures	RM million	Remarks
1. Enhancing Capacity of Public Healthcare		
<ul style="list-style-type: none"> Increase beds and ICU capacity 	450	Including RM200m announced by Ministry of Finance on 22 May 2021
<ul style="list-style-type: none"> Spending related to COVID-19, including increased operating and management expenses 	550	
<ul style="list-style-type: none"> Extension and appointment of contract healthcare workers 	-	
2. Continuing 'Prihatin Rakyat' Agenda		
<ul style="list-style-type: none"> Additional assistance for Bantuan Prihatin Rakyat (BPR) program 	2,100	
<ul style="list-style-type: none"> Targeted bank loan assistance: (i) Automatic loan moratorium; and (ii) Reduction in loan repayment by installments 	30,000	For B40 groups, those who lost their jobs as well as SMEs that are not allowed to operate during the MCO
<ul style="list-style-type: none"> Bus and Taxi Hire Purchase Rehabilitation Scheme 	1,000	
<ul style="list-style-type: none"> MARA PRIHATIN Program (Peace of Mind): (i) Moratorium/ Rescheduling of study loan; and (ii) Rental discount on MARA business premises 	-	
<ul style="list-style-type: none"> Extension of Wage Subsidy Programme for one month 	1,500	
<ul style="list-style-type: none"> Levy exemption of Human Resource Development Fund in June 2021 	70	According to MOF' virtual press conference

PEMERKASA+ initiatives (cont.)

List of strategic initiatives and measures	RM million	Remarks
3. Supporting Business Continuity		
<ul style="list-style-type: none"> Additional assistance for Prihatin Special Grant (GKP) 	500	Additional RM500 for nearly 1 million SMEs
<ul style="list-style-type: none"> Microcredit financing 	1,500	
<ul style="list-style-type: none"> BNM's Targeted Relief and Recovery Facility (TRRF) 	2,000	
<ul style="list-style-type: none"> Cash assistance to tourist drivers, taxi drivers, school and tour bus drivers, and e-hailing drivers 	68	
<ul style="list-style-type: none"> LHDN's assistance 	-	
<ul style="list-style-type: none"> SSM's assistance 	-	
<ul style="list-style-type: none"> Extension of protection of contractual obligations under Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 Act 2020 	-	
<ul style="list-style-type: none"> Electricity discount of 10% for three months to six selected sectors 	135	Mirrored to estimation in PEMERKASA
<ul style="list-style-type: none"> Tax cut of rental reduction 	-	
<ul style="list-style-type: none"> Extension of Home Ownership Campaign (HOC) 	280	According to MOF' virtual press conference
<ul style="list-style-type: none"> Extension of sales tax exemption for locally assembled and imported passenger vehicles 	1,180	According to MOF' virtual press conference
Total measurable amount	41,333	

Salient points of PEMERKASA+

Enhancing Capacity of Public Healthcare



RM450m to increase hospital beds capacity and ICU equipment for the COVID-19 treatment, including at teaching hospitals of public universities and military field hospitals



Extend the service of **14,000 contract medical officers and nurses until 2022**, and appoint **500 healthcare workers** who are due for mandatory retirement this year on a contract basis



RM550m for spending related to the COVID-19, including increased operating and management expenses, procurement of medicines and reagents, and appointment of contract officers

Continuing 'Prihatin Rakyat' Agenda



Additional RM2.1bn to “**Bantuan Prihatin Rakyat (BPR)**” program (*Distribute at the end of June 2021*)



For all B40 groups, and people who lost their jobs or SMEs that are not allowed to operate during the MCO, two options are given as **loan assistance (worth RM30bn and will benefit 5m borrowers)** as below:

- An automatic loan moratorium for three months
- Six months instalments for a 50% reduction in loan repayments



RM1bn for Bus and Taxi Hire Purchase Rehabilitation Scheme for bus and taxi operators to get a loan moratorium of up to 12 months and extend the loan period of up to 36 months

Category	Budget 2021 (Existing)	PEMERKASA+ (Additional)
Monthly household income <RM2,500	≤1 child: RM1,200 ≥2 child: RM1,800	RM500
Monthly household income between RM2,501 and RM4,000	≤1 child: RM800 ≥2 child: RM1,200	RM300
Monthly household income between RM4,001 and RM5,000	≤1 child: RM500 ≥2 child: RM750	
Single individuals earning <RM2,500 per month	RM350	RM100

Salient points of PEMERKASA+ (cont.)

Continuing 'Prihatin Rakyat' Agenda (cont.)



- **MARA PRIHATIN Program (Peace of Mind)** will continue to open for borrowers to apply online for rescheduling of student loan repayments or a moratorium
- **Additional three months (May-Jul 2021) of 30% rental discount on MARA business premises** [Existing initiative has ended in April 2021]



Additional RM1.5bn to extend Wage Subsidy Programme by one month for all affected economic sectors, limited to 500 employees per application, expected to benefit 2.5m employees and >200,000 employers



Extend HRDF levy exemption for Jun 2021 [Existing initiative for non-tourism and non-retail sectors has ended in May 2021; no change for tourism and retail sectors]

Supporting Business Continuity



Prihatin Special Grant (GKP) will be increased by RM500 to RM1,500 for nearly 1 million SMEs. RM1,000 will be paid in mid-June 2021, and RM500 will be paid in July 2021



Inland Revenue Board (LHDN) to **consider postponing penalties** to 2022 and provide instalment plan on overdue tax payments for impacted payees



RM1.5bn **microcredit financing for working capital** from BSN, TEKUN, Mara, SME Corp. and YAPEIM, with financing rates as low as 3%



- **Deadline for submission of financial statements** to the Companies Commission of Malaysia (SSM) and for listed companies to hold annual general meetings for listed companies, and late submission of statutory documents **will be extended**
- SSM will **waive penalties for late renewal of business licences** for micro-businesses, sole-proprietorships and partnerships, up to 31 December 2021



Additional RM2bn for Targeted Relief and Recovery Facility from BNM (Total RM7bn available), which would offer loans to SMEs at 3.5% interest rate

Salient points of PEMERKASA+ (cont.)

Supporting Business Continuity (cont.)



One-off aids of RM500 to 17,000 tourist drivers, 40,000 taxi drivers, 15,000 school and tour bus drivers, and 62,000 e-hailing drivers. Total payment of RM68m will be remitted in July 2021



- **Protection for companies unable to fulfil their contractual obligations will be extended until 31 December 2021** under the **Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 Act 2020** **[Existing initiative will end in June 2021]**
- Government will also offer free mediation through COVID Mediation Centres to all individuals and businesses



Extension of electricity bill discounts to affected sectors. Hoteliers, tourist agencies, shopping malls, convention centres, theme parks, local airlines can receive 10% electricity discounts for additional three months from July 2021 to September 2021 **[Existing initiative will end in June 2021]**



Special tax cuts to premises owners who offer at least **30% rental discounts** for another six months until 31 December 2021 **[Existing initiative will end in June 2021]**



Home Ownership Campaign (HOC) extended until 31 December 2021 **[Existing initiative has ended in May 2021]**



Sales tax exemption for locally assembled and imported passenger vehicles is extended until 31 December 2021 **[Existing initiative will end in June 2021]**

Commentary on PEMERKASA+

- As expected, the amount of financial relief and paycheck for this current lockdown is lower when compared to MCO 1.0. It is more targeted as not all economic sectors have suffered demand contraction as during MCO 1.0. Exports-oriented industries; some manufacturing sub-sectors; groceries and supermarkets and e-commerce as well as online businesses are doing better this time round.
 - a) Some sectors (exports, manufacturing, plantation and technology), e-commerce as well as online businesses have been doing well, and hence financial assistance is not needed;
 - b) Households and individuals have accumulated deposits of RM57.4 billion between February 2020 and March 2021), making up 42.1% of total banking deposits. 11.7 million individuals have withdrawn EPF's i-Lestari and i-Sinar totalling RM77.8 billion as of 12 May 2021. These accumulated savings and EPF withdrawals can be used as a reserve line to relief their financial burden;
 - c) Business enterprises also have accumulated RM24.1 billion during the period February 2020 and March 2021 for meeting their cash flow needs;
 - d) Many soft loans funds and credit facilities established last year for SMEs and businesses are not fully utilized and would continue this year;

Commentary on PEMERKASA+ (cont.)

- e) Bantuan Prihatin for B40 and M40 can be rationalized and reprioritized on a targeted basis based on real needs. Those remained employed, including civil servants should not be given direct cash payments; and
- f) The continuation of financial institutions' Targeted Repayment Assistance (TRA) to borrowers would continue to ease their cash flow burden. PEMERKASA+ has enhanced TRA. Given the urgency to ease borrowers' cash flow need, the loan documentation and approval process must be made easier and expedited.
- In line with our expectations, PEMERKASA+ consists many measures in the form either enhancement, extension or add-on from the initiatives in previous packages and 2021 Budget. Among these include TRA with further enhancement to add in automatic loan moratorium as an option; add-on of Bantuan Prihatin Rakyat (BPR) and Prihatin Special Grant (GKP); the extension of Wage Subsidy Programme (WSP); and loan facilities offered by BNM and several government agencies.
- It must be noted that the on-going programmes worth RM100 billion is still in effect. Of RM65 billion allocated in the COVID-19 Fund, RM38 billion has already spent in 2020, RM10 billion were spent in January – April 2021, leaving a balance of RM17 billion to be distributed in the remaining period of 2021-2022. These include BPR Phase 2 and Phase 3, Wage Subsidy Programme, small scale projects, Program Jaringan Prihatin, and Program e-Belia.

Commentary on PEMERKASA+ (cont.)

- For RM322.5 billion Budget 2021, a sum of RM117.5 billion has already been spent, leaving a balance of RM205.0 billion for spending.
- The roll-out of PEMERKASA+ would provide some respite to the targeted needy households, individuals and business sectors impacted by the Full MCO (FMCO).
- The lockdown is expected to partially neutralize and take off some growth steam from this year's second quarter GDP (April-June), which will be aided by the extreme low-base affect last year. The second half-year of 2021's growth momentum depends critically on next 2-4 weeks of total lockdown, that is the level of infections and vaccination rates. **We are keeping our 2021 GDP baseline estimate of 4.0% for this year.**
- The Ministry of Health expects that the COVID-19 curve could be flattened in three to four months time. During these three phases of nationwide lockdown, the immediate priorities are to keep infections at manageable levels, speeding up the vaccination, ensure the ability to mass testing, trace contacts, isolate patients, implement and enforce SOP and strong social-distancing measures, as well as disseminate timely and accurate information.
- All these health prevention and detection measures must continue during the safe reopening, safe transition to 'safe' economy along with the accelerating vaccination rate until a higher proportion of our population is vaccinated to achieve herd immunity sooner.



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