



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

**9<sup>th</sup> MFPC e-Conference on Shariah Wealth  
Management & Financial Planning**

**Normal Economy vs. Abnormal Economy:  
A Crisis Management Analysis**

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**Executive Director**

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# Outline



**How's Malaysia doing post the COVID-19 pandemic?**

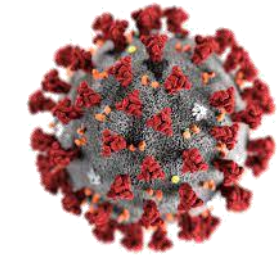


**Invest in inflationary times**



**Reforms beyond pandemic**

# Post Pandemic: Back to Normal or A New Abnormal?



- The COVID-19 pandemic has disrupted government, society, human and social life as well as businesses in an unprecedented way.



- The pandemic-induced disruptions and financial damage have exacerbated the already growing income disparity between rich and poor household as well as regional development gap.



- The deep economic scarring impact of the pandemic has shed light on the **pandemic's long-term economic, political, and social consequences and policy options for growth and enhancing economic resilience.**



- As the world moves out of the pandemic and towards a “new normal”, the Government must use this opportune time to implement policies for ensuring **BETTER, INCLUSIVE, GREENER and SUSTAINABLE GROWTH.**

# Unprecedented COVID-19 economic packages to blunt deep economic and financial damages

<b>1</b> PRIHATIN Economic Stimulus Package (PRIHATIN)	<b>2</b> The Short-Term Economic Recovery Plan (PENJANA)	<b>3</b> PRIHATIN Supplementary Initiative Package (KITA PRIHATIN)
RM260 billion*	RM35 billion	RM10 billion
<ul style="list-style-type: none"> <li>Preserving Rakyat's Welfare</li> <li>Supporting Businesses, including SMEs</li> <li>Strengthening the Economy</li> </ul>	<ul style="list-style-type: none"> <li>Empower People</li> <li>Propel Businesses</li> <li>Stimulate Economy</li> </ul>	

<b>4</b> PERMAI Assistance Package	<b>5</b> PEMERKASA	<b>6</b> PEMERKASA+	<b>7</b> PEMULIH
RM15 billion	RM20 billion	RM40 billion	RM150 billion
<ul style="list-style-type: none"> <li>Combating the COVID-19 Outbreak</li> <li>Safeguarding the Welfare of the People</li> <li>Supporting the Business Continuity</li> </ul>	<ul style="list-style-type: none"> <li>Containing the spread of the COVID-19</li> <li>Spurring economic recovery</li> <li>Strengthening of nation competitiveness</li> <li>Implementing the agenda of regional and community inclusiveness</li> <li>Transforming the economy</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing the Capacity of Public Healthcare</li> <li>Continuing the 'Prihatin Rakyat' Agenda</li> <li>Supporting Business Continuity</li> </ul>	<ul style="list-style-type: none"> <li>Continuing the 'Prihatin Rakyat' Agenda</li> <li>Supporting Businesses Continuity</li> <li>Accelerating the Vaccination Rate</li> </ul>

EPF (*i-Lestari, i-Sinar and i-Citra*):  
RM110 billion

Loan Repayment Moratorium:  
RM97.3 billion

Targeted Repayment Assistance:  
1.6 million applicants;  
Approval rate of 95%

Loan Repayment Assistance:  
more than 2.7 million individual borrowers and 95,700 SME borrowers

As of 25 Sep 2020

As of 26 Mar 2021

As of 24 Dec 2021

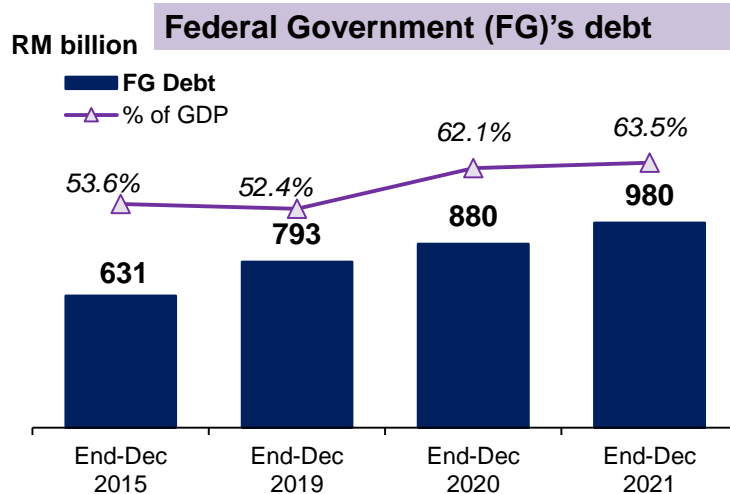
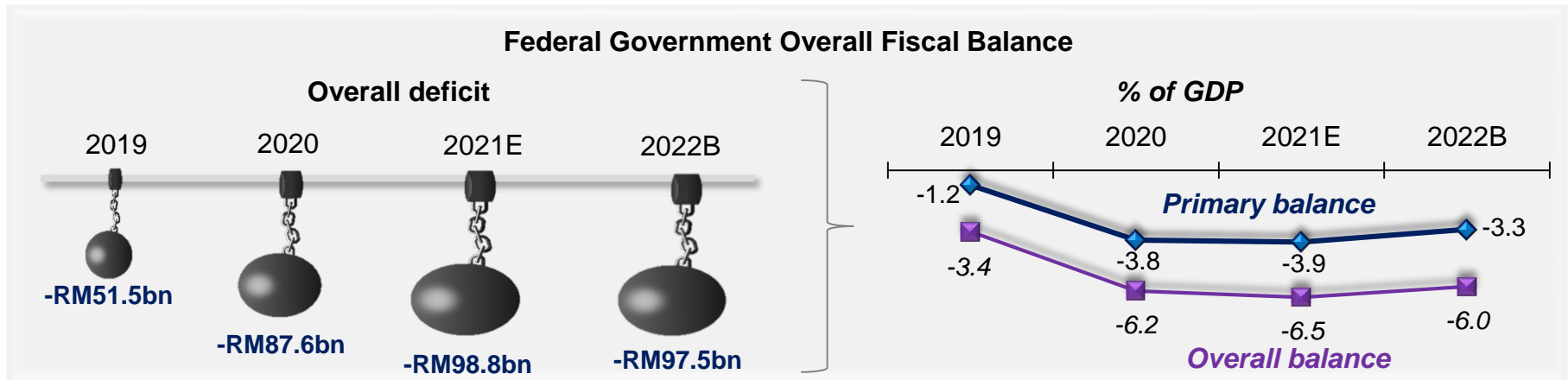
Direct Fiscal Injection: **RM87.6 billion (6.0% of GDP)**

**Total: RM530 billion (36.1% of GDP)**

Source: Ministry of Finance, Prime Minister Department; Various News Media  
\*Incl. PRIHATIN SME+ (RM10 billion) & Economic Stimulus Package (RM20 billion)

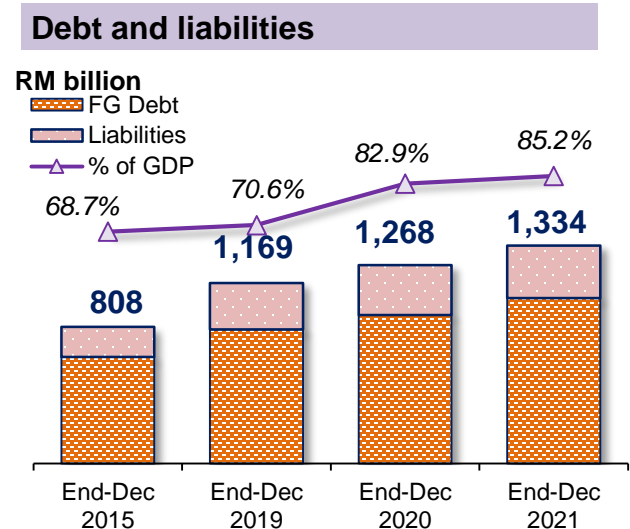
# Limited fiscal space; debt and liabilities on the rise

**25<sup>th</sup> consecutive year of budget deficit since 1998**



MOF=Ministry of Finance

Note: Primary balance excludes debt service charges.

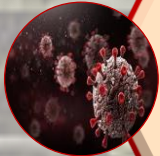


# Post COVID-19 phase: Malaysia faces multifaceted shocks

## IMPACT

### 1. Soaring energy and commodity prices

- Prices oil, gas, wheat, soya bean, maize as well as industrial metals surged on supply uncertainty, harsh sanctions and supply disruptions



### 2. Inflationary pressures

- Higher and longer inflation
- Supply chain disruptions and rebound in demand post pandemic



### 4. Financial markets

- The war uncertainty causes financial flows volatility
- Investors flight to safety assets (bonds, gold and hard currencies)



### 3. Increasing business costs

- Cascading price effects on raw materials and inputs
- Logistic costs and shipping rates higher



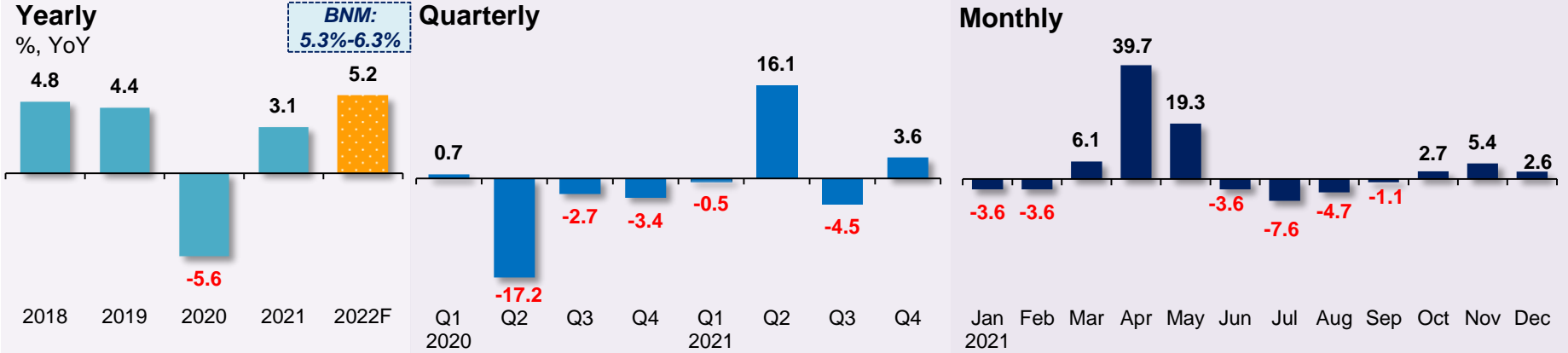
### 5. Central banks to act hard on inflation risk

- The US Fed has began its interest rate normalization journey
- Other central banks also on High Alert

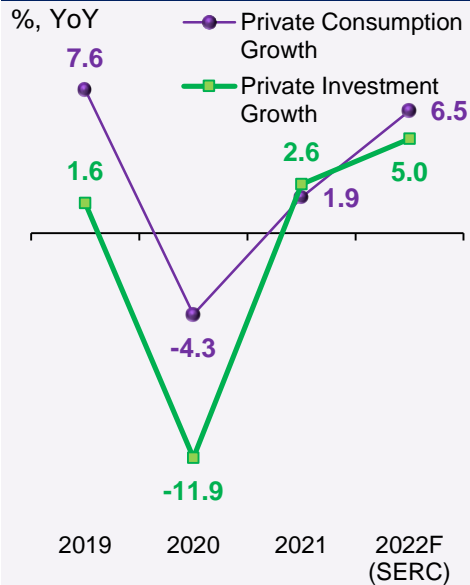


# Malaysia is on the recovery path amid the risks to growth remain tilted on the downside

## Real GDP growth



## Private consumption and investment growth



## Gross export and import growth



## Cautious optimism transitioning into endemic phase

Transition from pandemic to endemic phase

Reopening of international borders



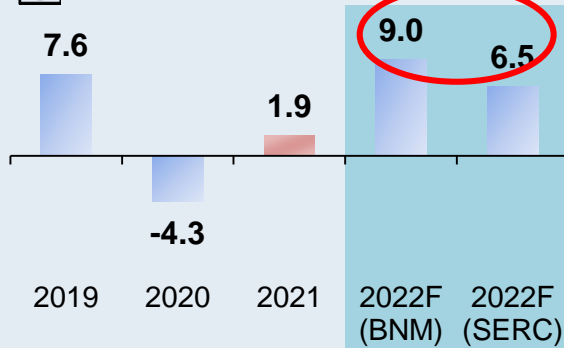
Recovery in the tourism-related services sectors

**Risks:** Global monetary tightening; trade friction; stagflation; climate change; geopolitical

Source: DOSM; SERC estimates

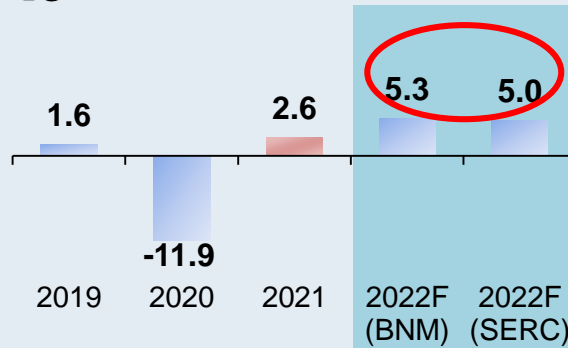
# Domestic demand continues to be the main anchor of growth

Private Consumption (%) [58.8% of GDP]



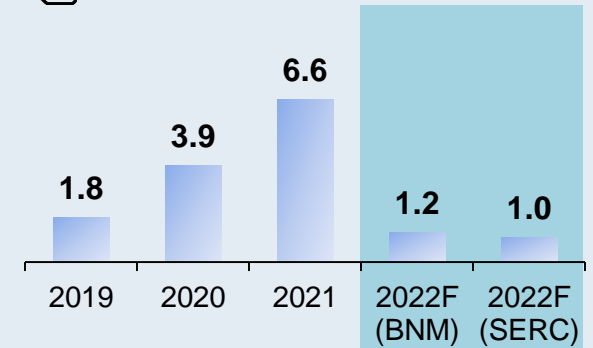
- Pent-up demand, cash handouts and EPF withdrawal
- Recovery in income and employment
- Inflation and living cost concerns dampen consumer sentiments

Private Investment (%) [15.6% of GDP]



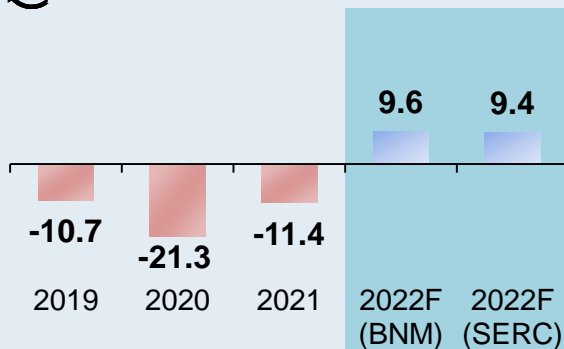
- Resumption of existing projects and commencement of new capital spending by businesses
- Increased costs, manpower shortages and external uncertainty

Public Consumption (%) [13.8% of GDP]



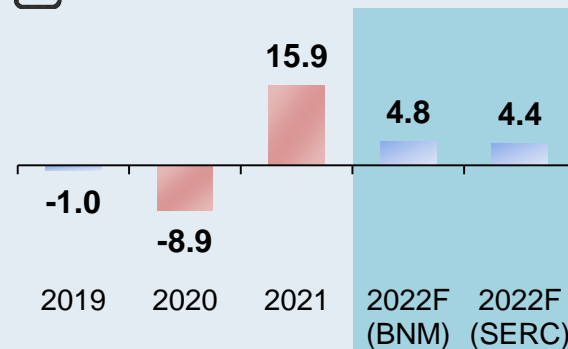
- Slower growth in emoluments
- Contraction in supplies and services expenditure
- Supported by COVID-related spending
- Allocation for small projects

Public Investment (%) [4.5% of GDP]



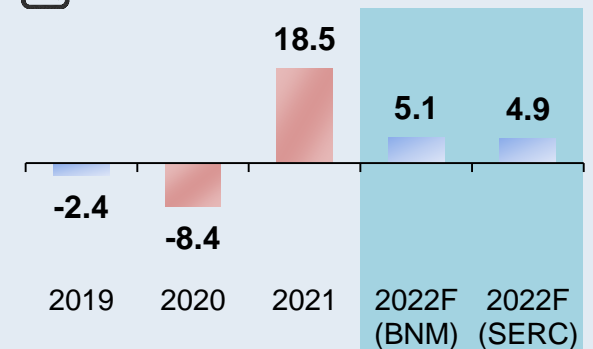
- Increase in fixed assets spending on transportation, public utilities, healthcare and education

Real Exports (%) [69.2% of GDP]



- Continued external demand from key trade partners
- Strong global demand for E&E products
- Improvement in commodity production

Real Imports (%) [63.2% of GDP]

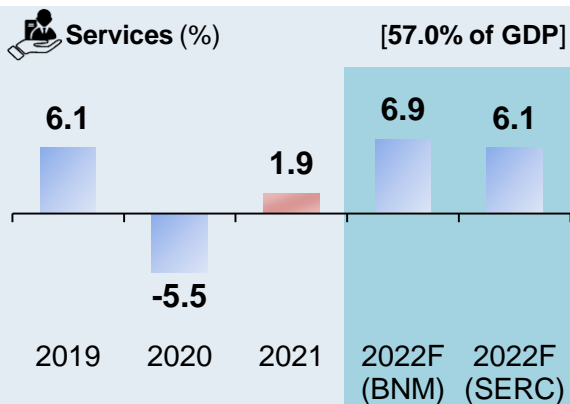


- Continued expansion of manufactured exports
- Improvement in domestic demand

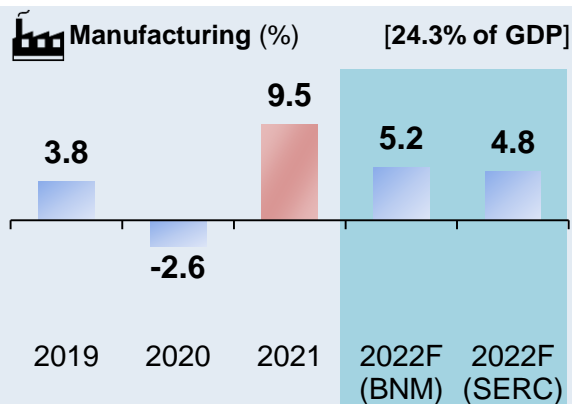
Note: Figure in parenthesis [ ] indicates share of GDP in 2021  
Source: DOSM; BNM; SERC



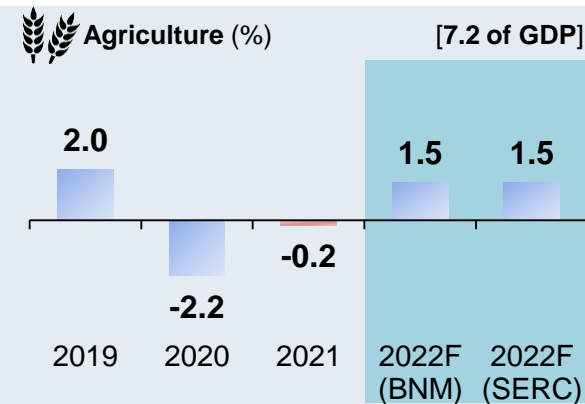
# Sectoral outlook: Expansion in all economic sectors



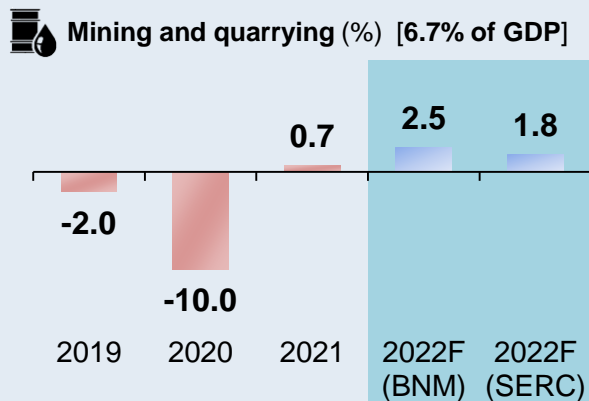
- Lifting of nationwide containment measures
- A gradual recovery in tourist arrivals
- Demand for data services



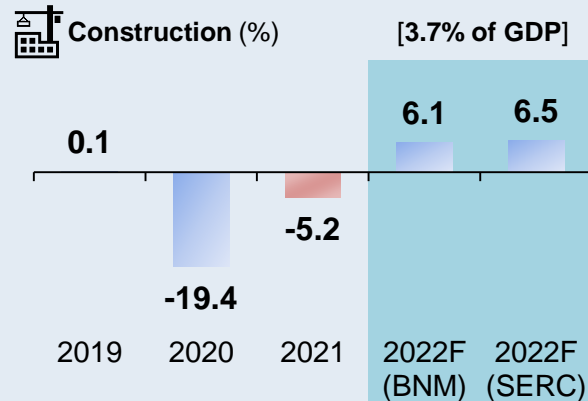
- Strong order books in the E&E sector
- Growing production in the construction-related and consumer-related manufacturing clusters



- Higher oil palm production
- Continued strong expansion in livestock and other agriculture subsectors



- Operationalisation of new facilities and higher production in existing facilities
- End of OPEC+ oil output cut agreement

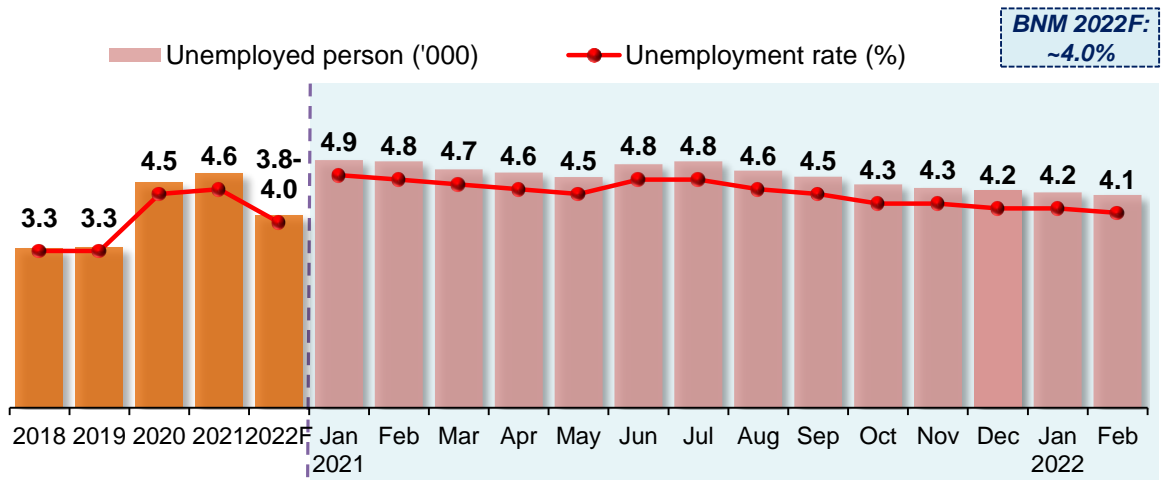


- Ongoing large infrastructure projects and small-scale projects
- New housing projects and launches
- Soaring prices of building materials could delay/postpone/stall projects

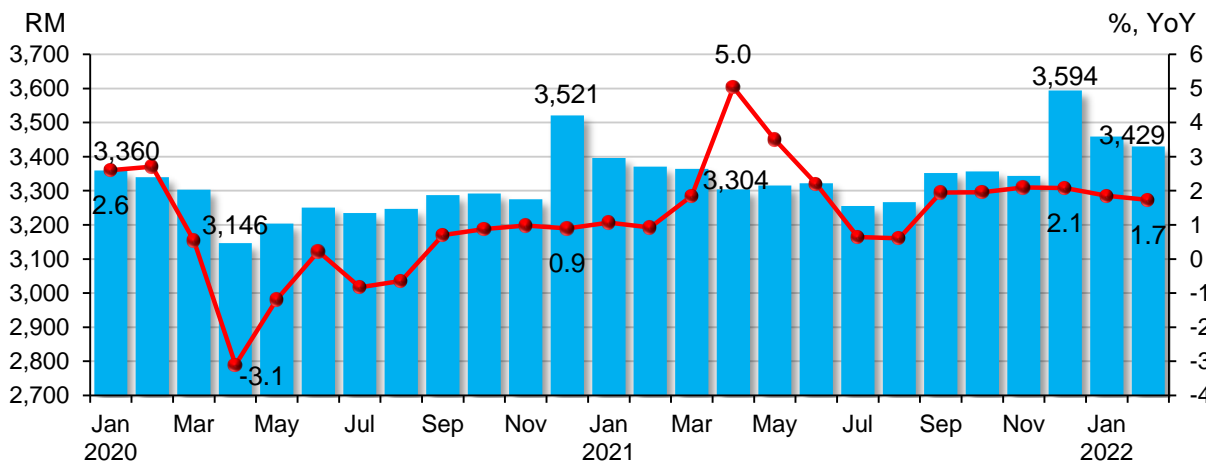
Note: Figure in parenthesis [ ] indicates share of GDP in 2021  
 Source: DOSM; BNM; SERC

# Labour market is gradually recovering

## Labour market conditions and prospects



## Average salaries and wages per manufacturing employees



Source: DOSM; SERC estimates



**Unemployment rate** has eased from the highest rate of 5.3% in May 2020 to 4.1% in Feb 2022

However, **skill-related underemployment** stood high at **37.5%** of employed persons with tertiary education; **time-related underemployment** at 1.9% in 4Q of 2021



**Revived economic and business activities** will strengthen manpower demand, helping a steady recovery in the labour market

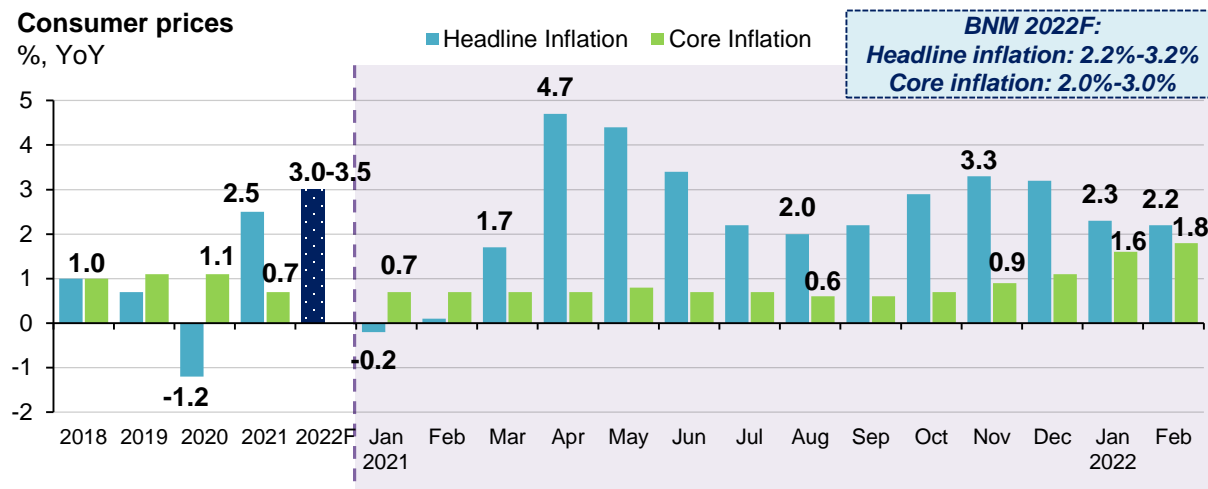
**Caution:** Uneven state of recovery in some sectors (travel, retail and aviation) as well as the continued labour displacement by digital technology disruptions

# Higher headline inflation and core inflation in 2022

## Headline and core inflation

### Consumer prices

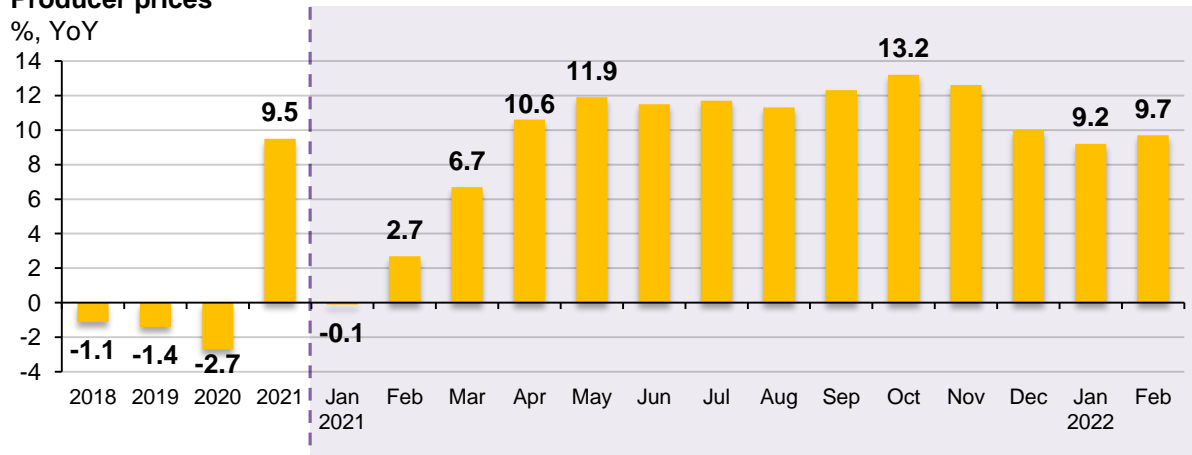
%, YoY



## Producer prices

### Producer prices

%, YoY



Source: DOSM; MOF; SERC estimates



**Cost pressures** are top of concern for business and consumers. Sustained high costs will inevitably feed through to consumers



**Producer prices are soaring high**, suggesting a sustained pass-through of increased costs onto consumers

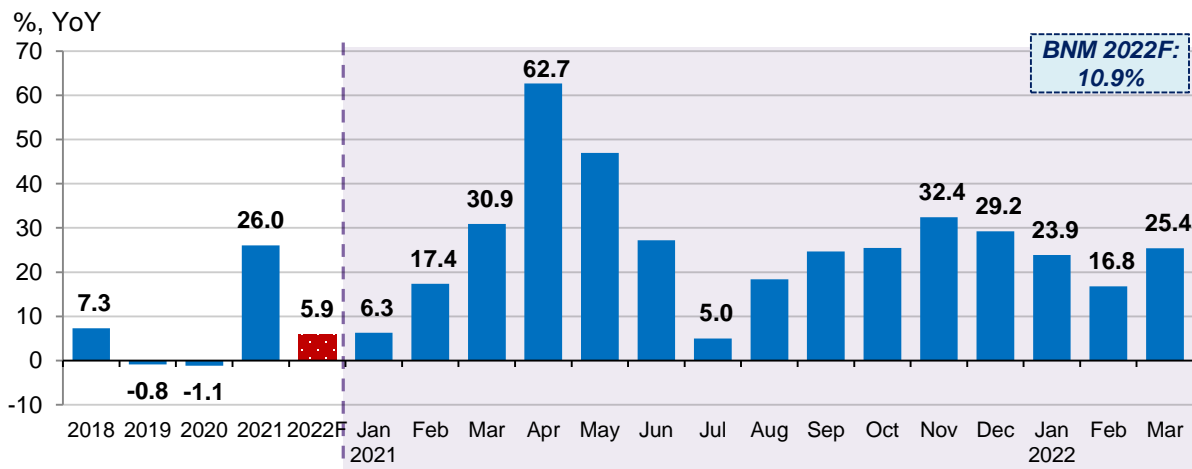


The energy transition could also drive up prices in the long term.

**Future driver:** Carbon taxes and the cost of complying with new regulations will increase the cost of supply, and, again, it is consumers who will pay

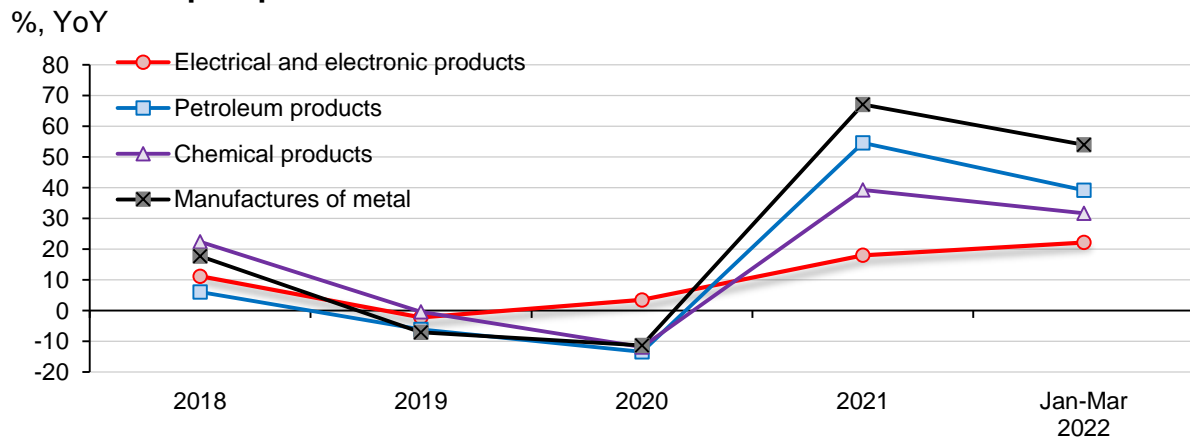
# Exports still growing, albeit normalising to long-term trend

## Exports



## Major export products group

### Selected export products



Source: DOSM; MOF; SERC estimates



**Growth should moderate** as trade approaches its pre-pandemic long-run trend



**Supply-side issues** such as semiconductor scarcity and port backlogs may strain supply chains and weigh on trade in particular areas



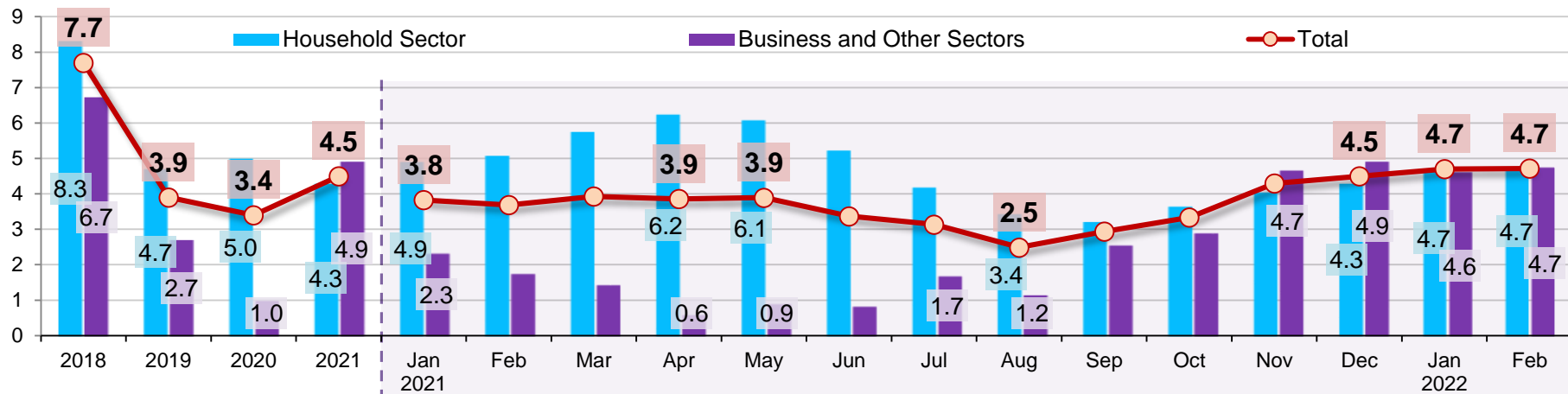
**RCEP came into force for Malaysia on 18 March 2022**

**Malaysia aims to ratify CPTPP by 3Q 2022**

# Loan indicators: Loan demand is picking up

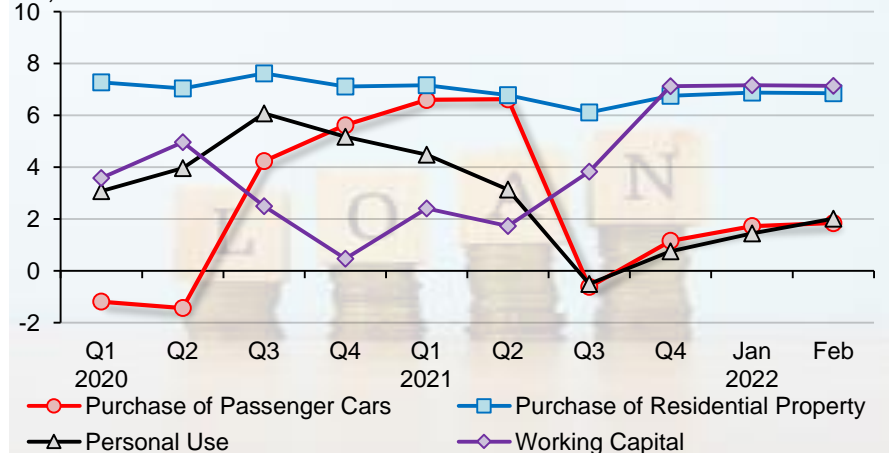
## Loan outstanding by sector

%, YoY



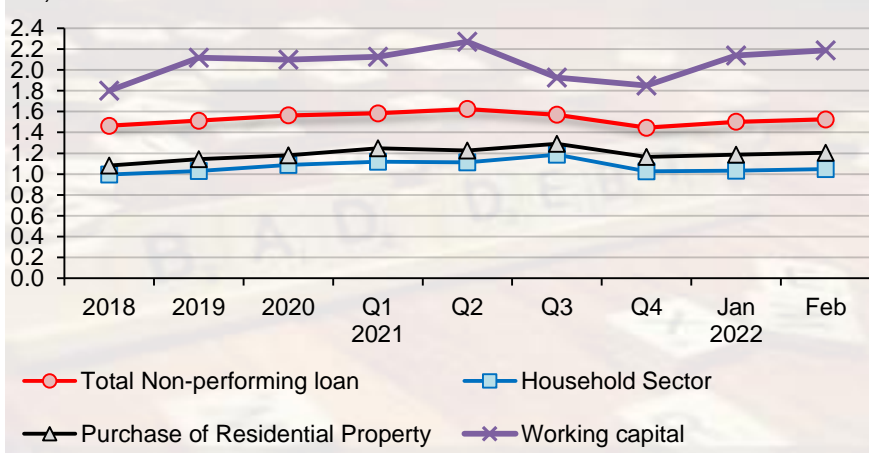
## Loan outstanding by purpose

%, YoY



## Non-performing loan ratio

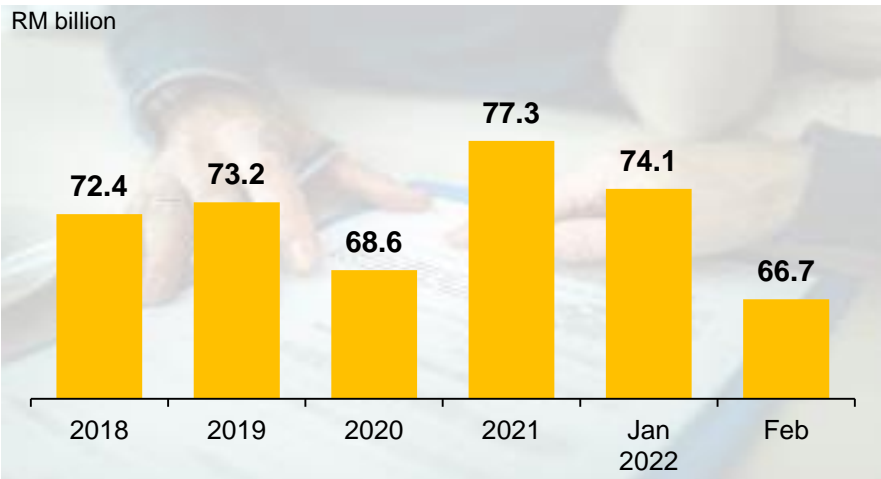
%, YoY



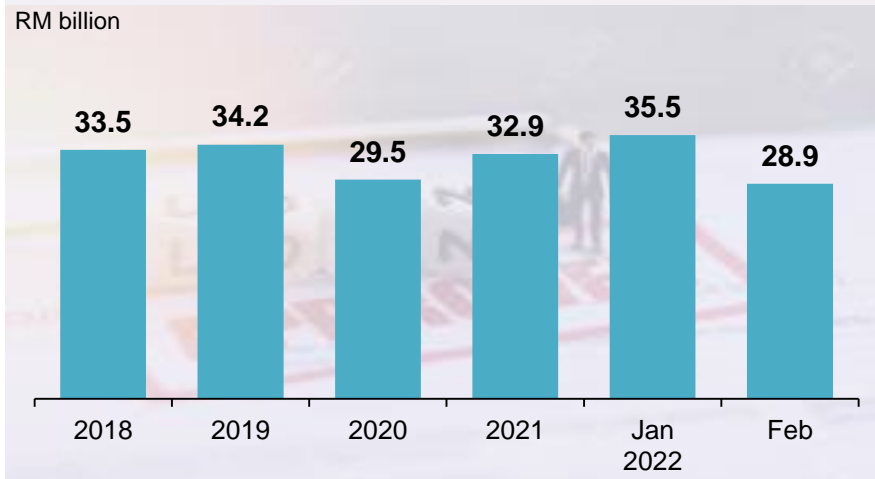
Source: BNM

# Loan indicators: Improving disbursements and repayments

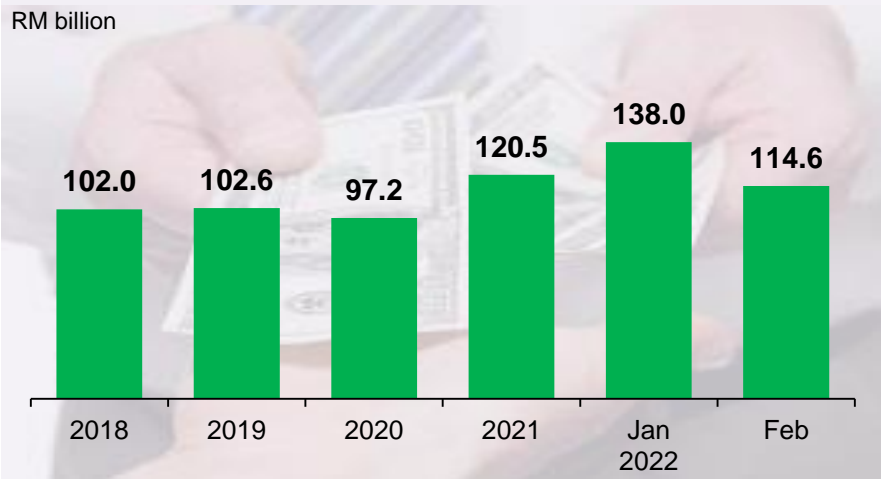
## Loan Application (monthly average)



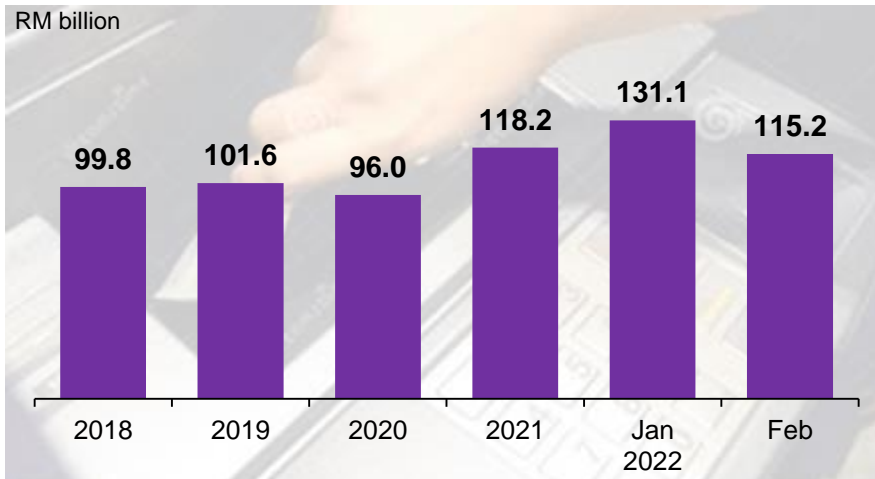
## Loan Approval (monthly average)



## Loan Disbursement (monthly average)



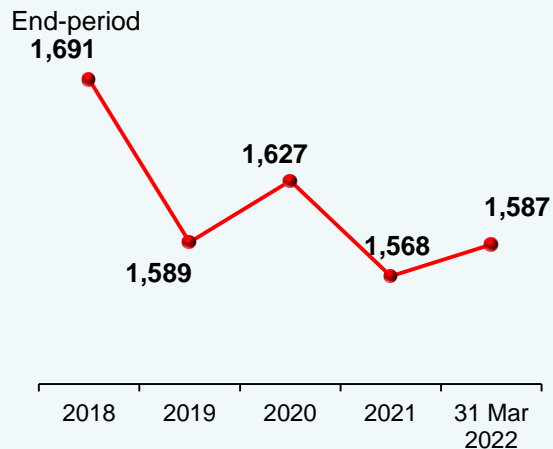
## Loan repayment (monthly average)



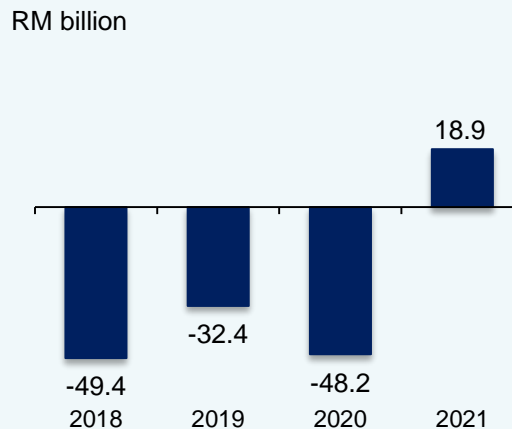
Source: BNM

# Financial indicators at a glance

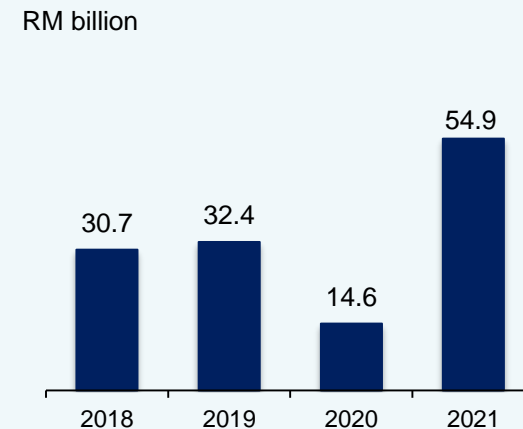
## FBMKLCI index



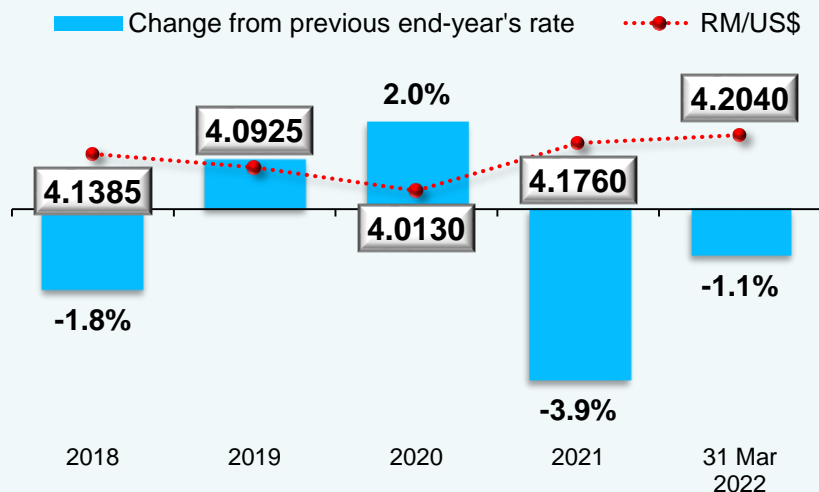
## Portfolio flows



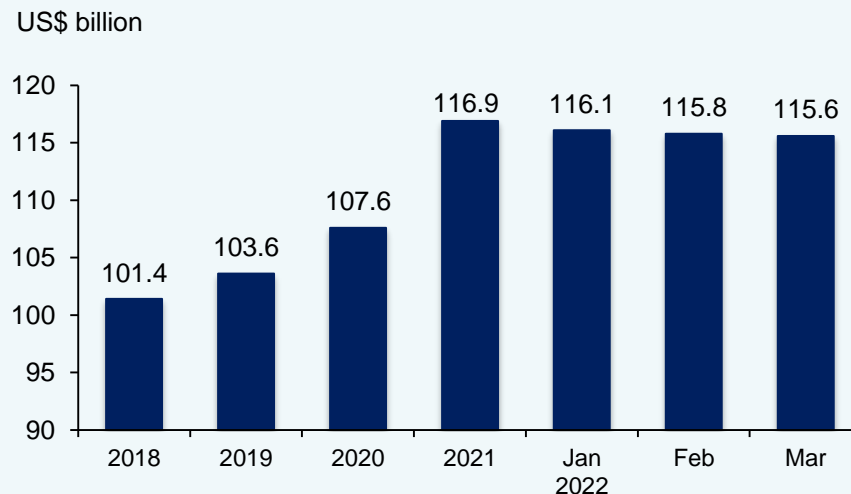
## Net FDI inflows



## Exchange rates (RM/US)



## Foreign reserve

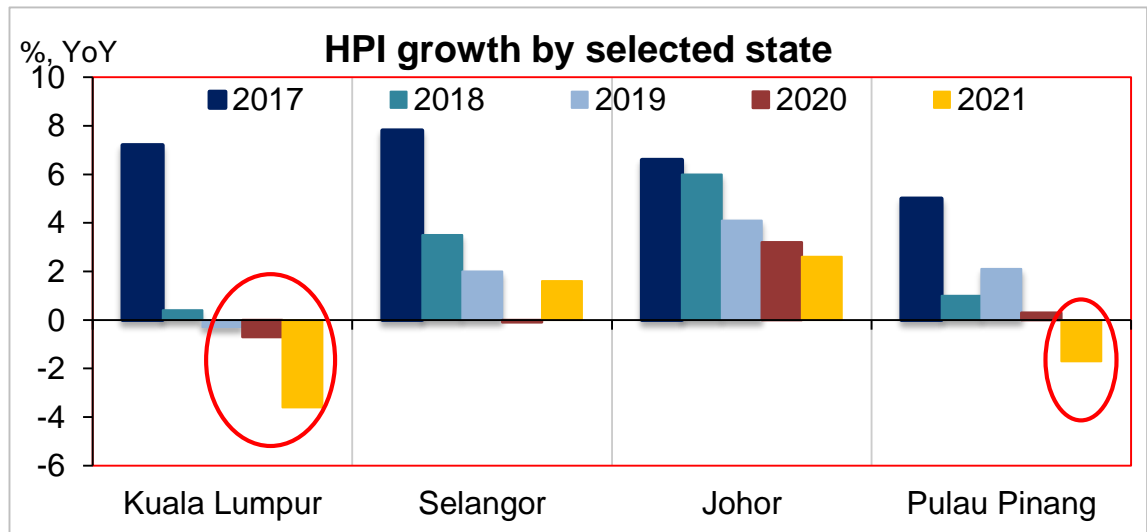
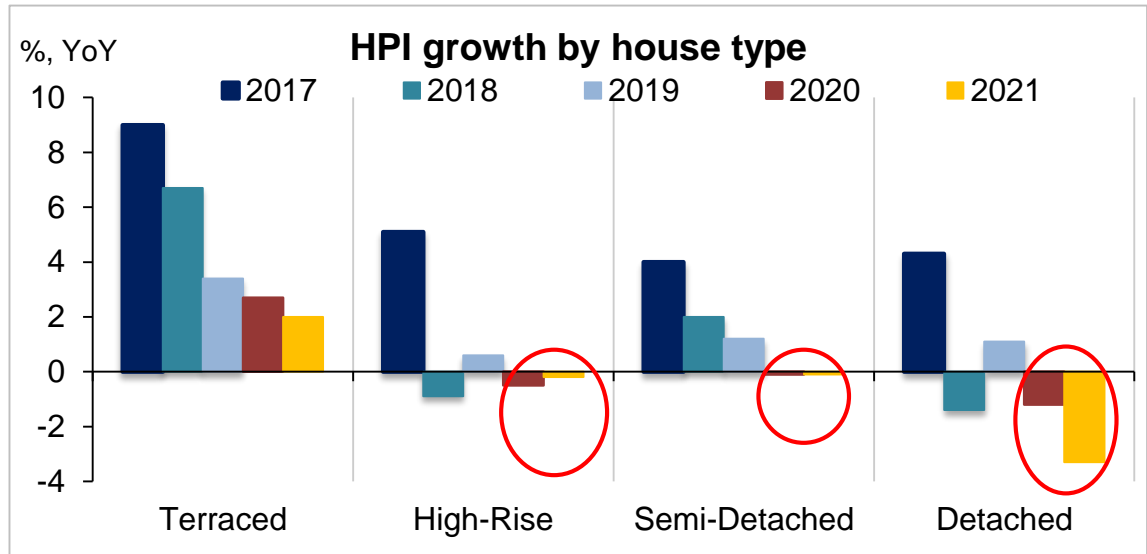
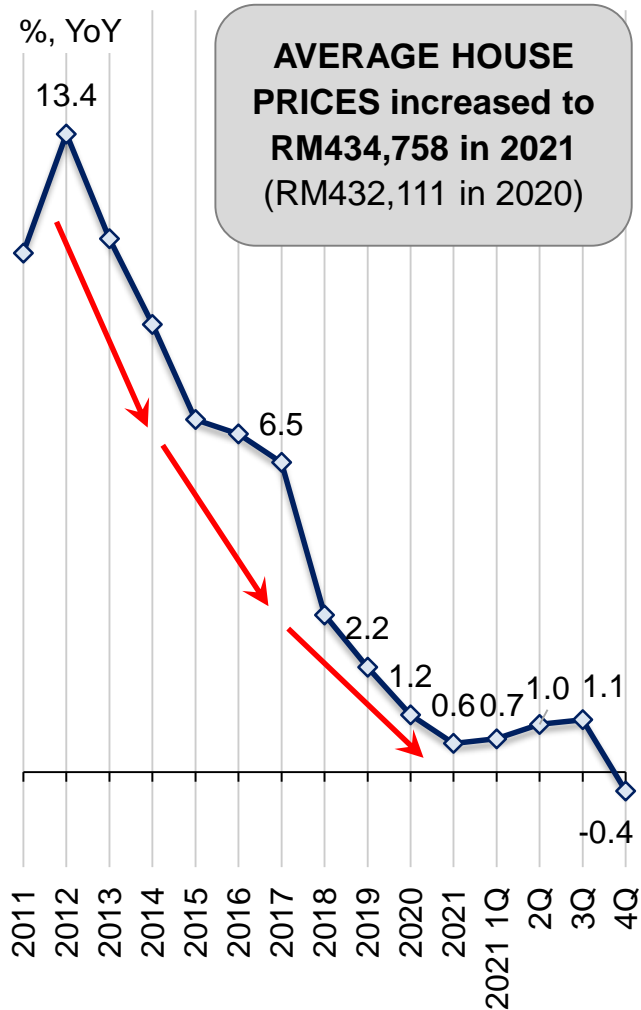


Note: Exchange rate (12:00 rate) as at end-period

Source: BNM

# House price index moderated for eight consecutive years

## House Price Index (HPI)



Source: NAPIC

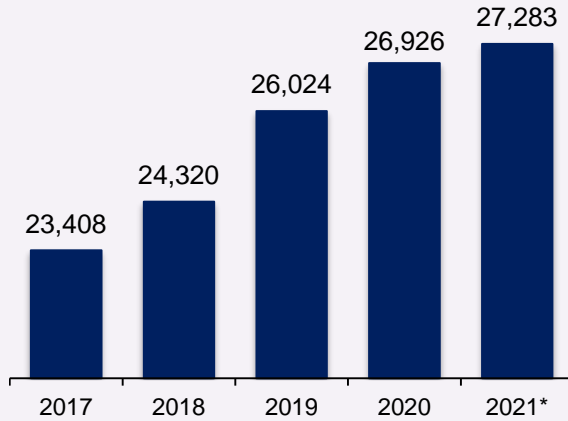


# Higher threshold contained new bankruptcy & winding-up cases

## Company

### Company compulsory winding up statistics

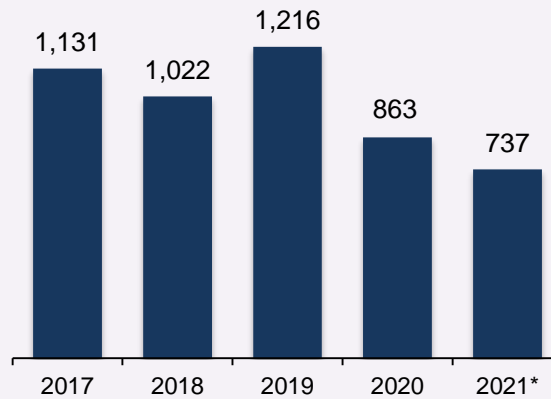
Cumulative cases



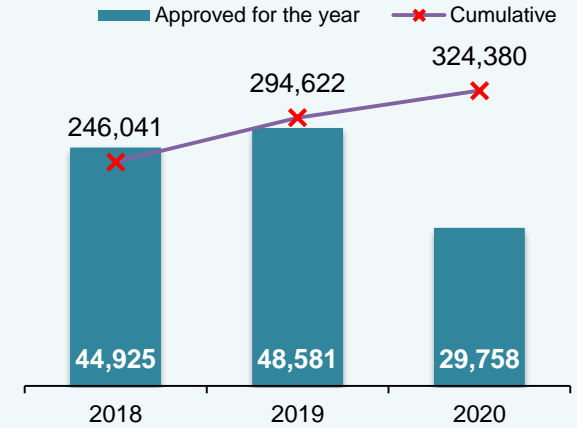
Note: Data as of January to September 2021

### Company voluntarily winding up statistics

New cases

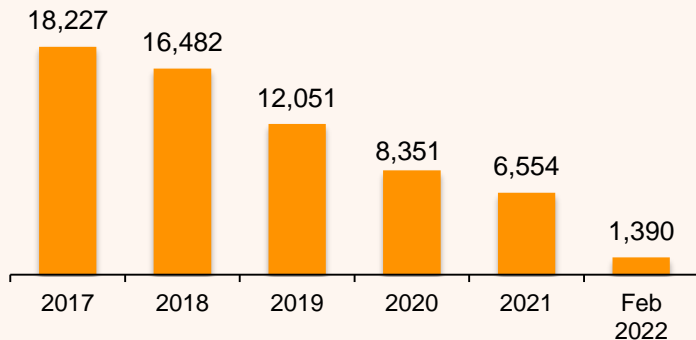


### AKPK Debt Management Programme



### Individual - Bankruptcy cases registered

New cases



- The Temporary Measure for Reducing the Impact of Covid-19 Act 2020 **raised the minimum debt threshold** for the presentation of a bankruptcy petition to **RM100,000**, from RM50,000 previously. This temporary relief measure will **remain in force until Aug 31, 2021**.
- The RM100,000 bankruptcy threshold has **now become entrenched or made permanent** under the amendment made to Section 5(1)(a) which came into force on Sept 1, 2021.

Source: Malaysian Department of Insolvency (MDI); Various News Media

# Protect savings and assets during high inflation era

## Asset Classes for Protection Against Rising Inflation



### Gold

- Proven long-term hedge against inflation
- Protect against potentially excessive asset price inflation and currency debasement
- Real, physical asset, and tends to hold its value for the most part



### Balanced Stock/Bond Portfolio

- Safe, traditional mix of stocks and bonds in a conservative portfolio
- Stocks can be good as a long-term inflation hedge but can suffer in the short term if inflation spikes
- Short-term bonds are more resilient



### Digital Assets

- Increasingly popular refuge for inflation-phobic investors
- Limited supply, protects it from devaluation compared to traditional fiat currencies



### Real Estate

- Real estate traditionally does well during periods of higher inflation, as the value of property can increase
- Earning a higher rental income over time

# What happens when interest rate is rising ...

During low interest rate era



## Borrowers

- Low borrowing costs
- “Monetary” stimulus
- Lower debt service payment; more cash
- **Risk: Prolonged low interest rate causes financial imbalance; excessive cheap credit fuels high debt**



## Lenders

- A lower cost of funds means a bank will see better returns when the funds are used for loans to borrowers
- Spur loan demand
- Look for higher return in other asset placements

When interest rate is rising



## Borrowers

- Higher borrowing costs
- Cooling from the expansionary monetary approach
- Rises in repayments; interest expense; give up more cash flow
- **Risk: Asset price correction; “Risk-Free” rate vs. Costs of Capital**



## Lenders

- When costs are high, banks will pass on to borrowers, which means they must pay higher interest rates to access credit
- Spur loans refinancing and restructuring

## Enhance Economic and Financial Resilience for Future Shocks

- **Be more prepared to withstand future financial, economic and non-economic shocks** such as health, geopolitical tensions and climate change
- Reflect on current structural issues and constraints; recalibrate and **undertake politically feasible reforms to deliver a more inclusive, resilient, and sustainable future**



### Leaner Government and Rebuild Public Savings

- **Rebuild large fiscal space** - get leaner and rebuild savings for rainy days
- **Spending on operating and development expenditures must be closely scrutinized** and prioritized to ensure that they are productive
- **Targeted fuel subsidy and cash assistance program**
- **Unsustainable deficits and public debt** would have negative effect on households' savings and private investment



### Politically Feasible Tax System Reforms

- Tax system must **reward greater work efforts and productivity**
- Relying less on labour and capital income taxes
- **More on consumption taxes** would encourage household savings



### Reduce Compliance and Regulatory Costs

- **Competitive investment climate**
- **Policy certainty, transparent and good governance**
- **Too many taxes, regulatory and compliance costs** raise costs and discourage reinvestment
- **Reforming regulations with high compliance costs**, not simply reducing the number of regulations



## Gaps in the Education Sector

- Improving the **delivery and quality of online education**
- **Enhance manpower quality** with appropriate skills through better enhancement framework of TVET



## Inadequacies in the Healthcare Sector

- **Increase expenditure in public healthcare** (4.7% of GDP in 2020)
- **A universal healthcare system** must be given priority
- A leaner, efficient and capable healthcare administrative structure to maintain the quality of access and affordable healthcare services



## Gaps in Social Protection System

- Social assistance schemes rose from 95 in 2012 to 137 in 2020
- Fragmentation and duplication of programs
- **Streamlined, better targeting, and strengthened administration mechanism and effective delivery** to the beneficiaries using digital technologies



## Aged Care Reforms and Retirement Savings

- In 2020, 10.3% of total population (3.4 million persons) aged 60 vs. 7.9% in 2010
- **Ageing population** impact on **labour participation and productivity**; **fiscal budget – healthcare and revenue**
- **Adequate social safety net to protect as well as supplement for the essential needs for needy elderly** (public healthcare, housing, transportation, long life learning program and community care centres for the elderly)
- Addressing retirement savings crisis - **proper financial planning awareness**; develop more **retirement investment financial products**; and provide **tax concessions to incentivise more voluntary retirement savings**



## Reset Agriculture and Rural Farming

- **Climate change and a risk of food scarcity** (food security) necessitates total fundamental transformation of agriculture
- **Modern and smart farming** for increased productivity via digitalised technology, and developing robust supply chain for agricultural products
- **Bolder farm land reforms (longer land leasing)** to improve the efficiency of land allocation
- **Agricultural logistics and delivery system along the whole supply chains** should be strengthened to curtail the influence of the middlemen
- **Focus on R&D** in agricultural products to increase high value-added food production and export potential
- **Launching of programs such as One Village, One Product or One District, One Product** could create local employment and rejuvenate rural economies



## Invest in Sustainable Future

- Trade complexity, climate change, healthcare and ageing population
- **Accelerating digitalisation and technology and automation**
- Accelerating the transition towards **green investment and growth**
- **Environmental, Social and Governance (ESG)**



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**谢谢**  
**THANK YOU**

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