



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

Quarterly Economy Tracker
(Oct-Dec 2022 & 2023 Outlook)

Malaysia: A Reset, A Slowdown

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Agenda



Is the global economy on the verge of recession?



What are factors impacting 2023 growth prospects for Malaysia?



Post GE 15 Policy Landscape



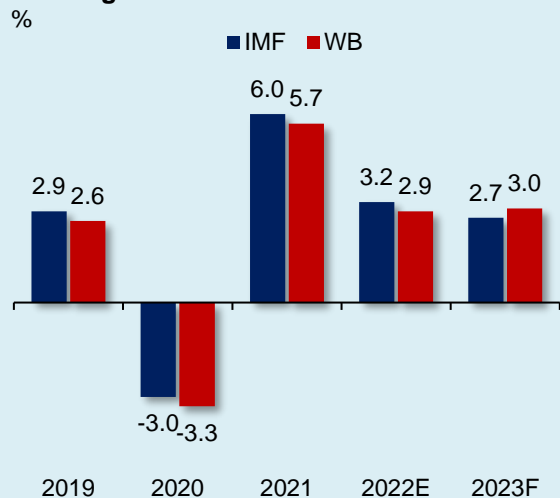
No Quick Fix to Cost of Living

Global Economic Outlook

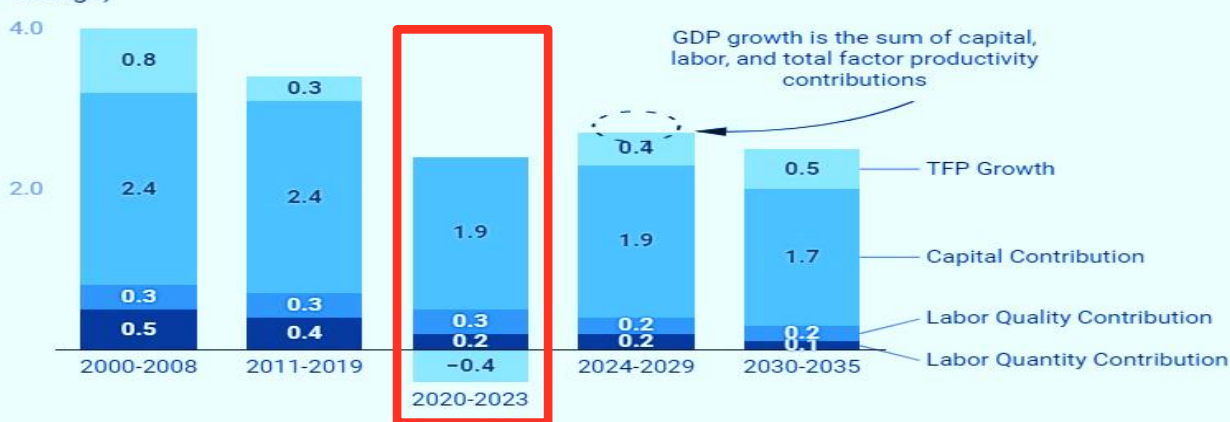
- Feel like global recession...
- A “mild and shallow’ recession in the US and Europe
- China’s better growth comes spring as zero COVID-19 strategy ends
- Global inflation may have peaked but...
- Central banks’ subtle monetary shift, not pivot to rate cuts

The global economic trend growth rate is weakening

Global growth estimates



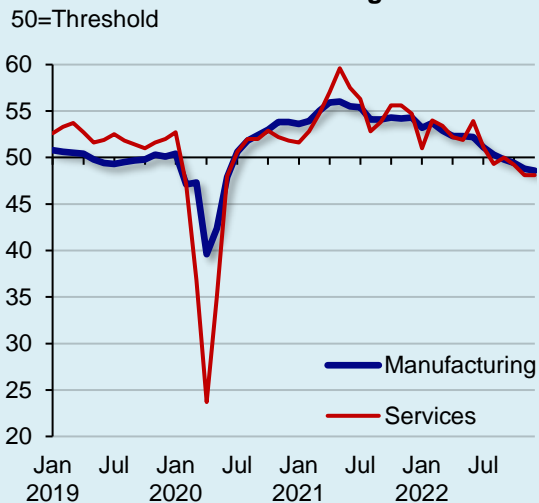
Contribution of factor inputs and efficiency changes to global GDP growth (average annual % change)



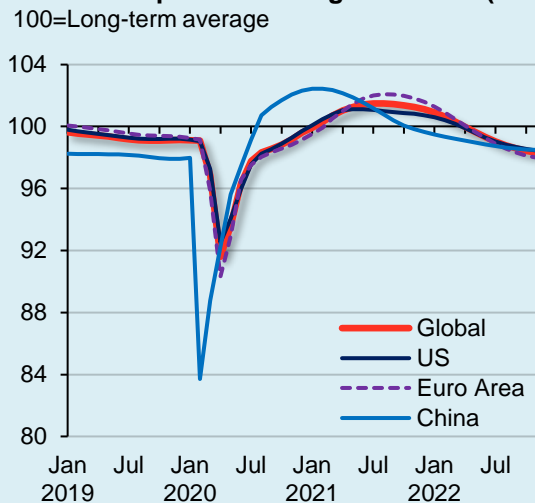
Global GDP contributions are calculated using shares in nominal PPP converted GDP.

Source: The Conference Board Global Economic Outlook 2023 • Download image • Created with Datawrapper

Global PMI for manufacturing & services



OECD Composite Leading Indicators (CLI)



Global semiconductor sales



Source: International Monetary Fund (IMF); World Bank (WB); S&P Global; OECD; Semiconductor Industry Association (SIA)

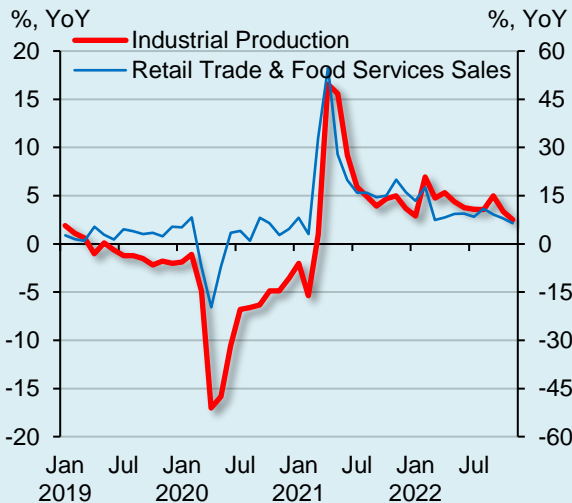
The US economy in a mild recession ...

The United States

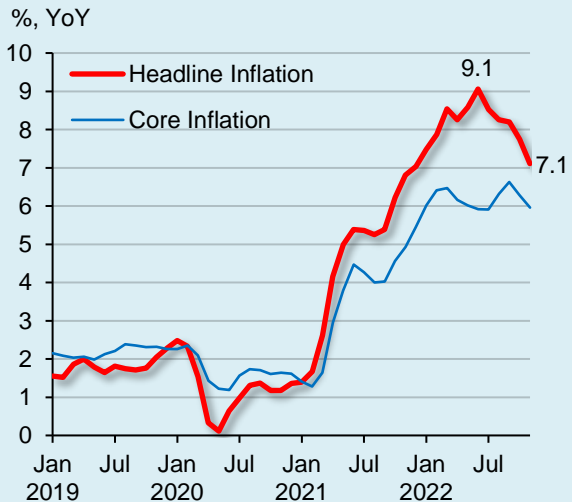
Unemployment rate and wage growth



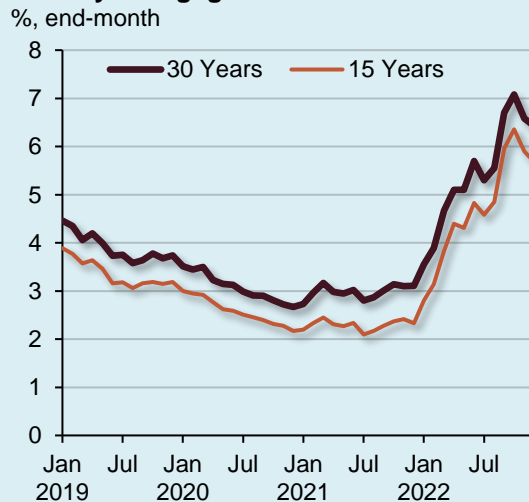
IPI Retail trade & food services



Headline & core inflation



Primary mortgage rate



A mild and shallow recession

- The time lag impact of higher interest rates on real activity
- Inflation will slow but price pressures continue to linger
- Higher mortgage rates have exerted some much-needed pressure on the housing market
- A robust job market and strong wage growth
- Estimated US GDP: 1.7% in 2022; -0.50% in 2023

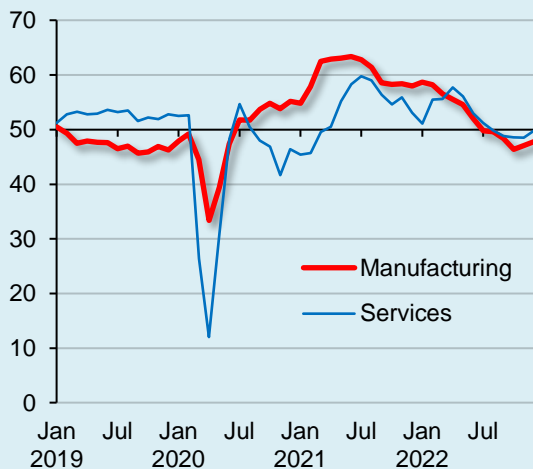
Source: US Bureau of Labour Statistics; Fed; Freddie Mac; US Census Bureau

Eurozone not yet out of the woods; China's better growth

Euro area

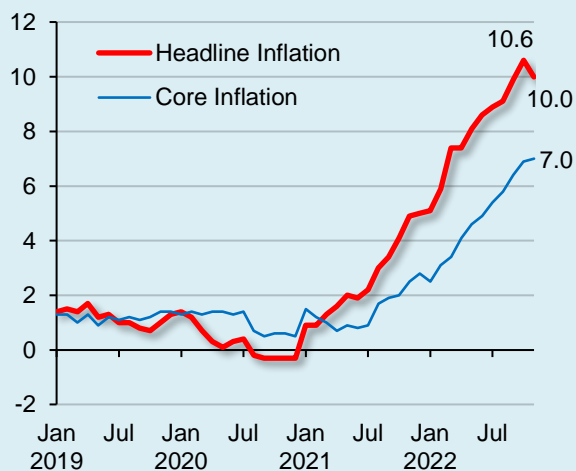
Manufacturing and services PMI

50=Threshold



Headline & core inflation

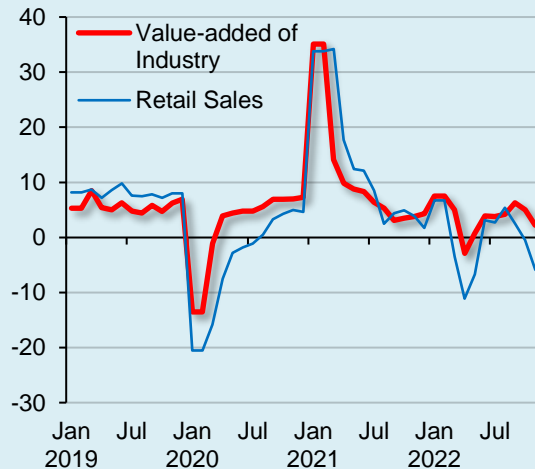
%, YoY



China

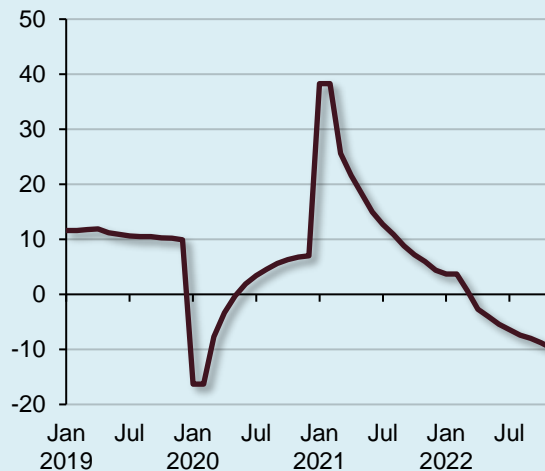
Economic activity

%, YoY



Investment in real estate development

%, YoY (Accumulated)



Eurozone – Still yet out of the woods

- Inflation and energy shocks erode real income and dampen production
- Inflation to ease but remains high in 2023

China - Better growth comes spring

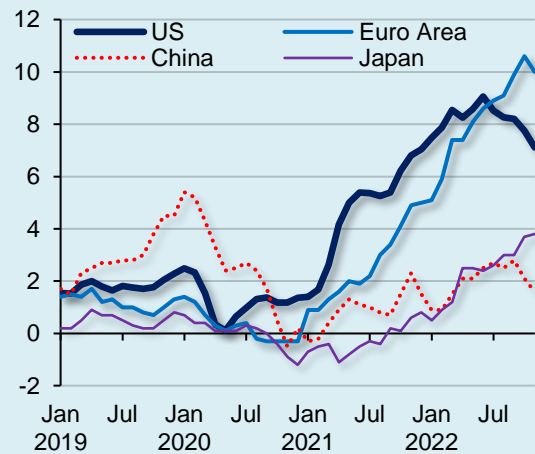
- Ending of zero COVID-19 strategy
- Cautious start in 1Q 2023 as infection cases surge exponentially
- Supportive monetary and fiscal policies

Source: S&P Global; Eurostat; National Bureau of Statistics of China

Inflation pressures stay longer, albeit lower

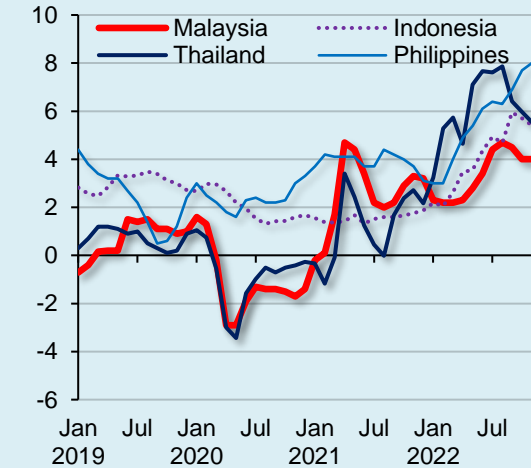
Inflation – Advanced economies

%, YoY



Inflation – Selected ASEAN economies

%, YoY

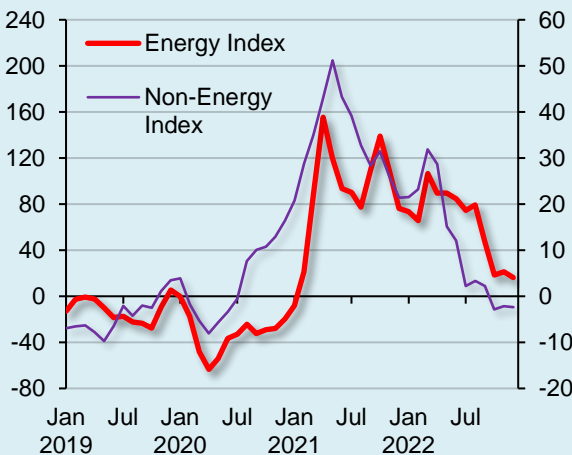


Energy index

%, YoY

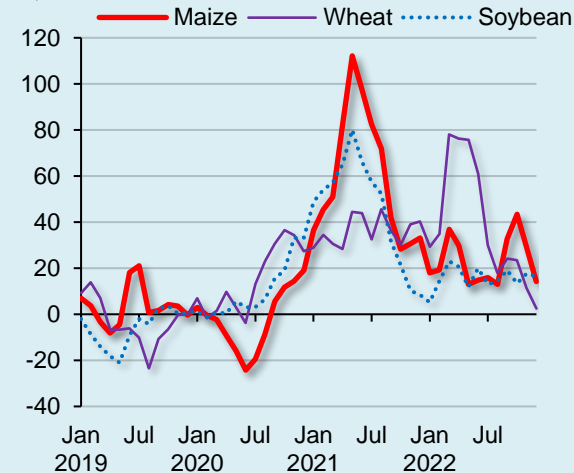
Non-energy index

%, YoY



Selected global food prices

%, YoY



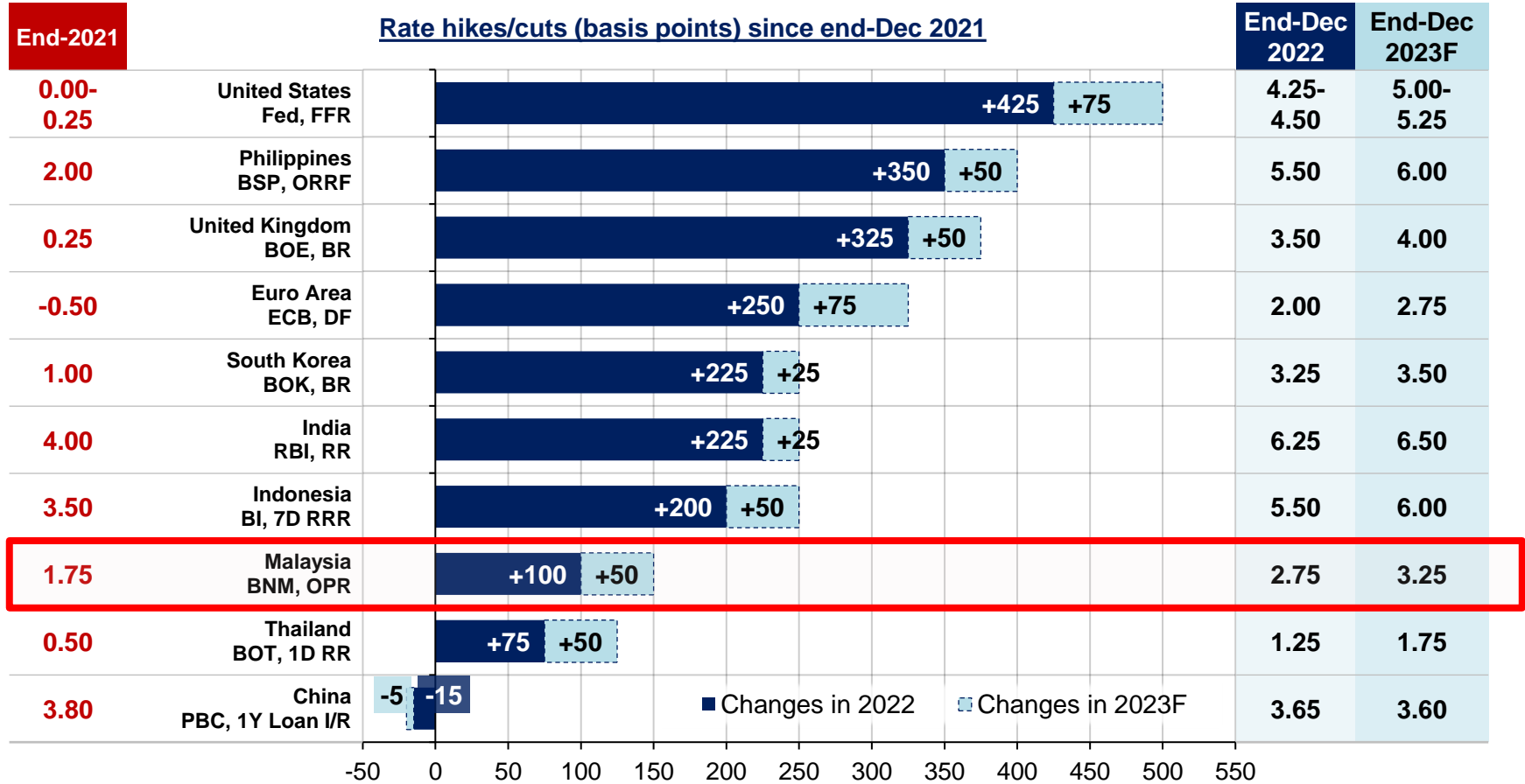
Global inflation rates likely will cool throughout the year 2023, but the cool-down period will be long and slow.

- Commodity and energy prices cooling off from their peak;
- The supply disruptions and labour-market pressures subsiding; and
- The effects of global central banks' interest rates hikes to cool off demand.
- Will China's reopening raise the spectra of global inflation?

Source: World Bank; Various officials for inflation data

Global interest rates unlikely pivoting back towards cut in 2023

Policy rate (%)



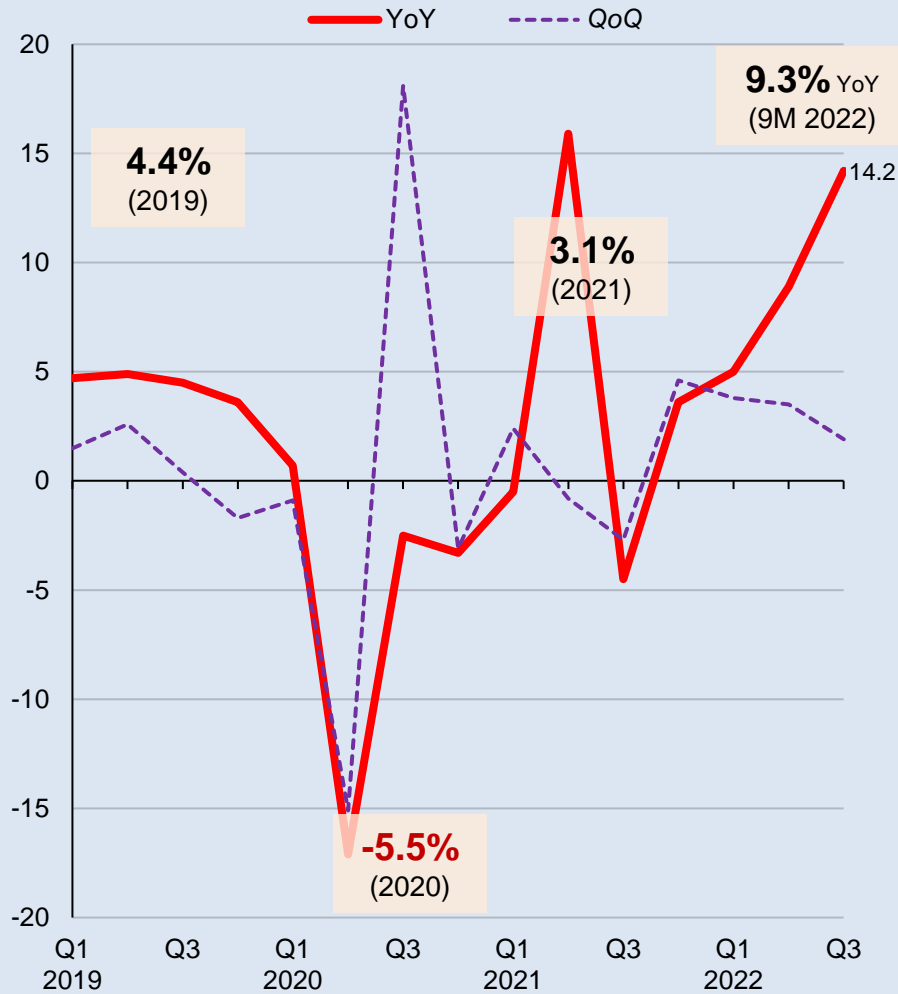
Source: Various officials and market consensus

Navigating the Malaysian economy in 2023

- *Interplay of weakening external environment, new government's narratives, domestic inflation, and interest rate will ultimately shape Malaysia's economic growth outlook for 2023*
- *Weaker economic growth estimated 4.1% in 2023 vs. estimated 8.5% in 2022*
- *Moderating exports, the normalization of domestic demand and high base affects*
- *Inflation and cost of living pressures as well as the lagged effects of higher interest rate will weigh on domestic demand*

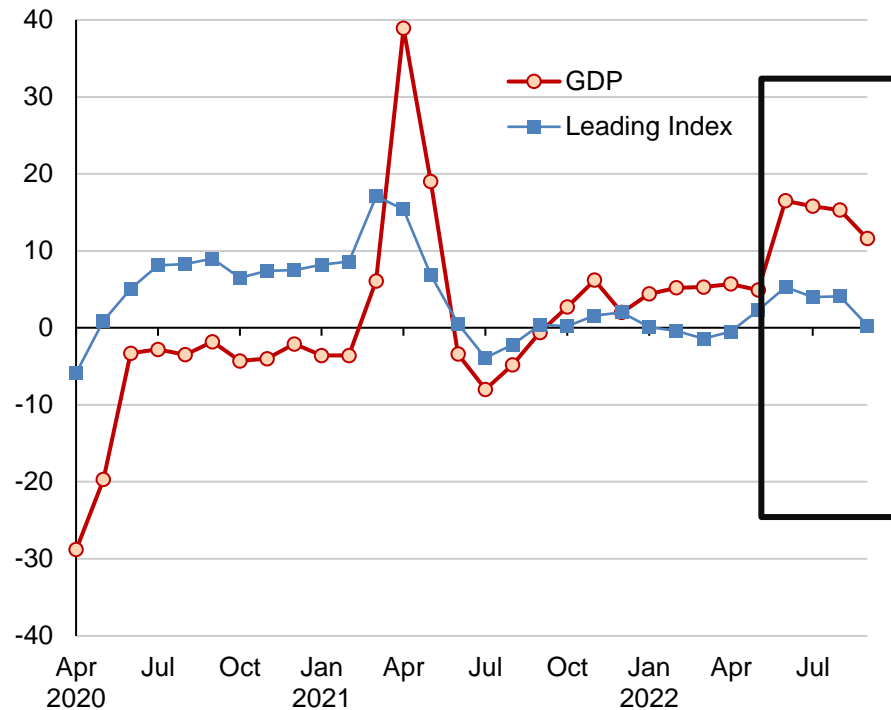
“Slow and Normalising” growth in 2023

Malaysia's real GDP growth %



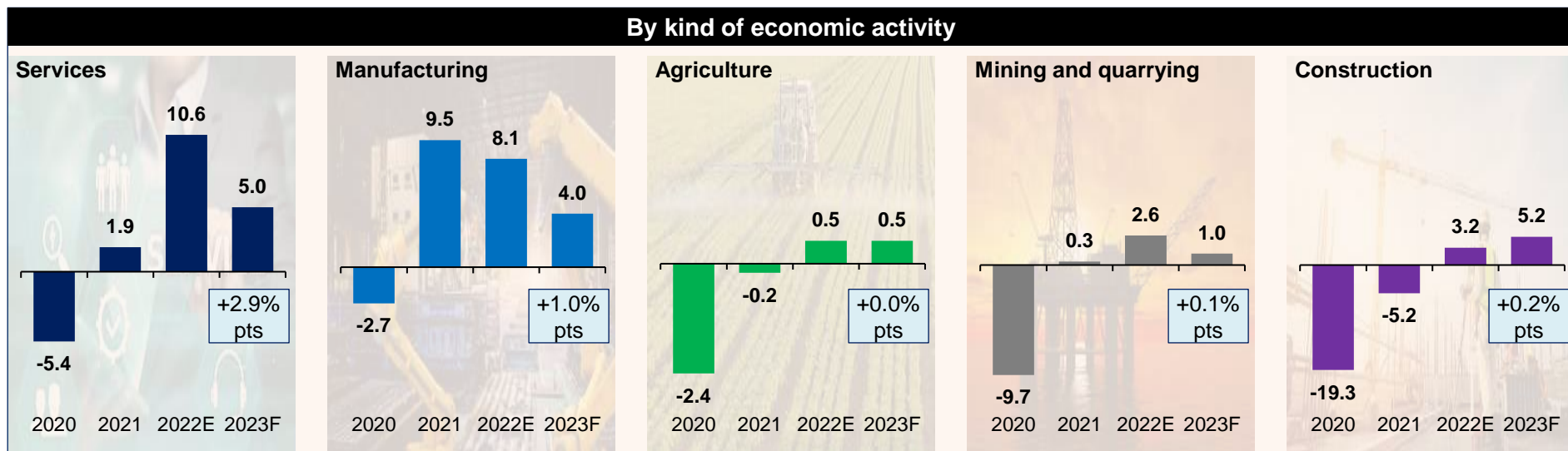
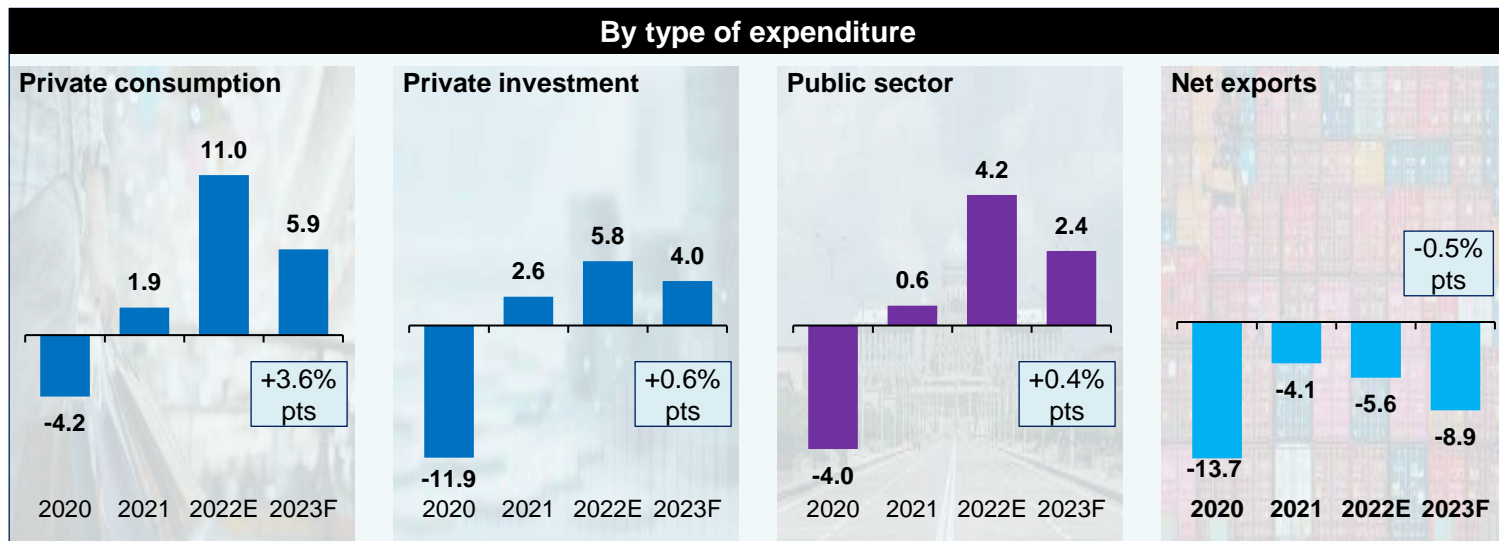
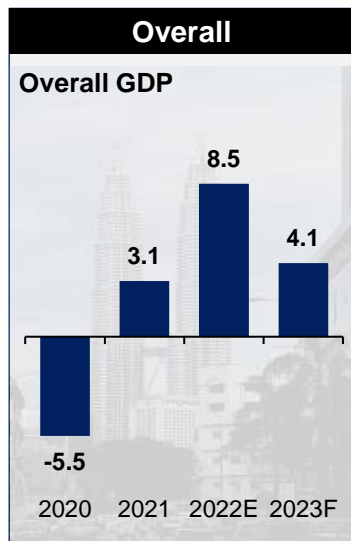
- Real GDP grew by 9.3% in Jan-Sep 2022. Estimated 8.5% in 2022 (+3.1% in 2021)
- Economic growth estimated 4.1% in 2023 – “Slow and normalisation”
- Moderating exports; post pent-demand normalisation

Monthly GDP and leading index growth %, YoY



Source: Department of Statistics, Malaysia (DOSM)

2023 GDP growth hinges on domestic demand

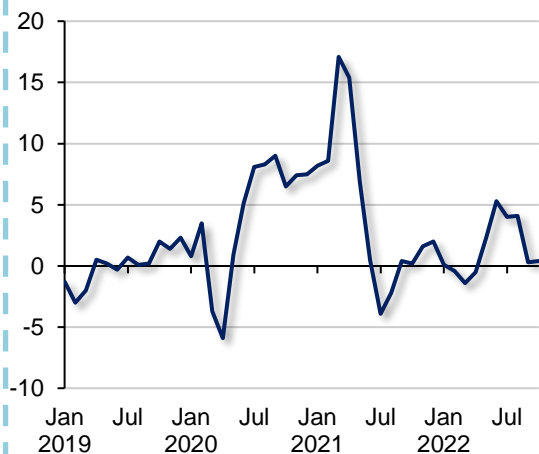


Source: Department of Statistics, Malaysia (DOSM); SERC's estimates and forecast

Tracking Malaysia's economic indicators

Leading indicators

% YoY



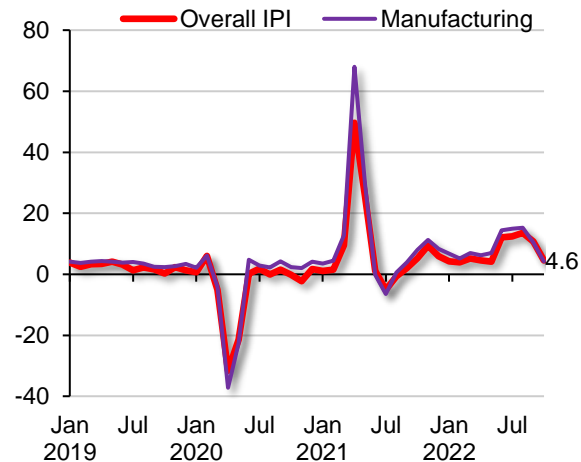
Purchasing Managers' Index (PMI)

50=Threshold



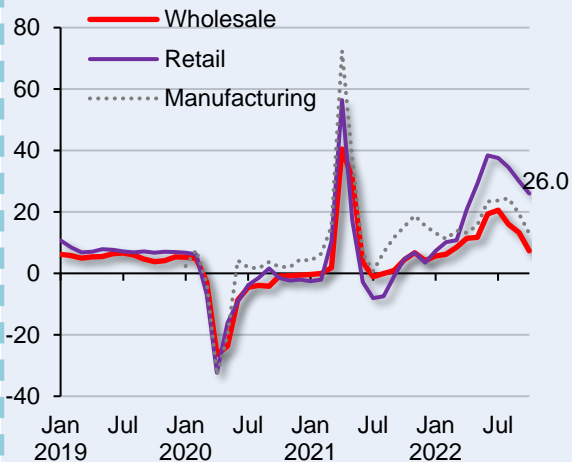
Industrial production index (IPI)

% YoY



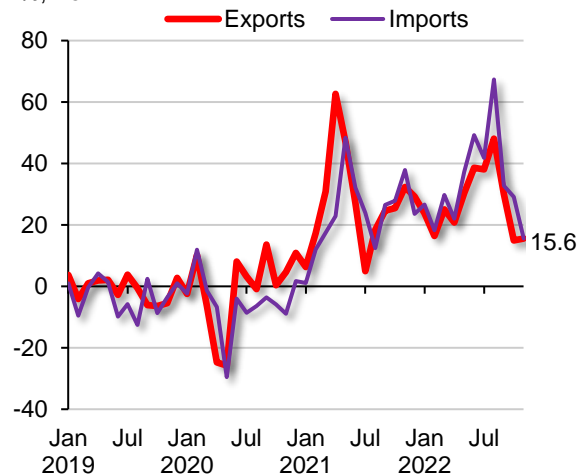
Wholesale, retail & manufacturing sales

% YoY



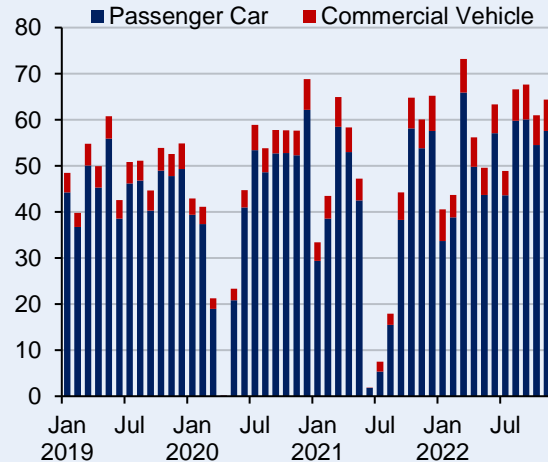
External trade

% YoY



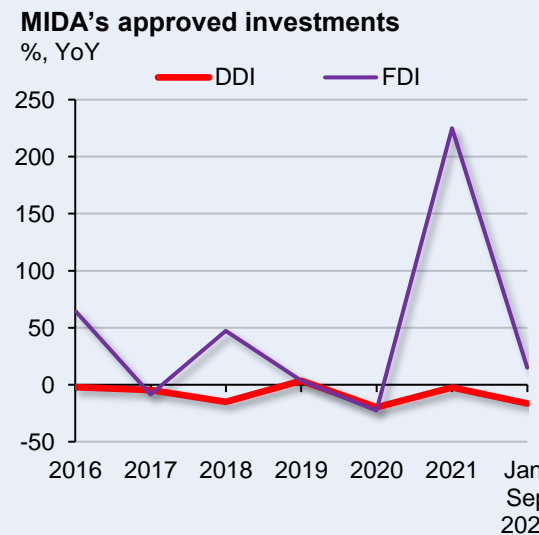
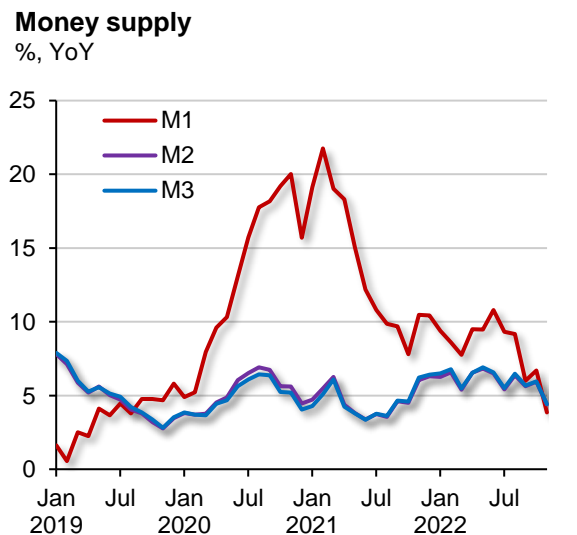
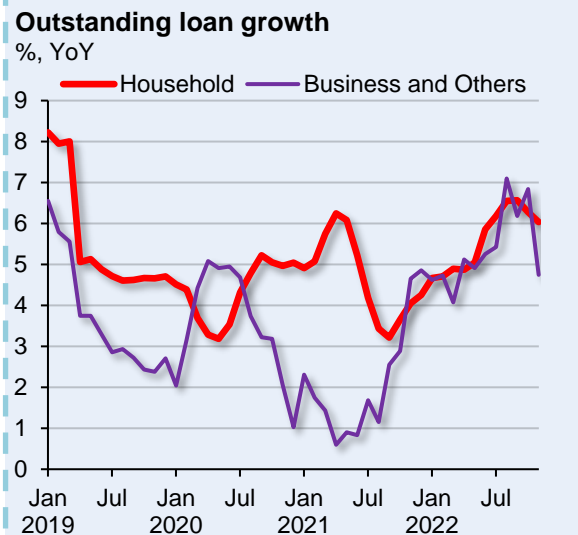
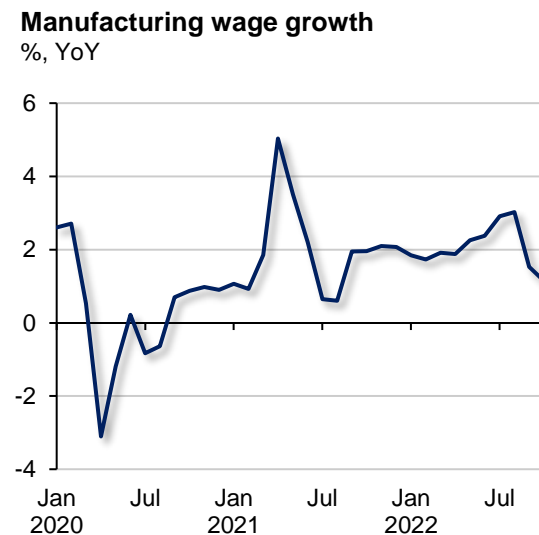
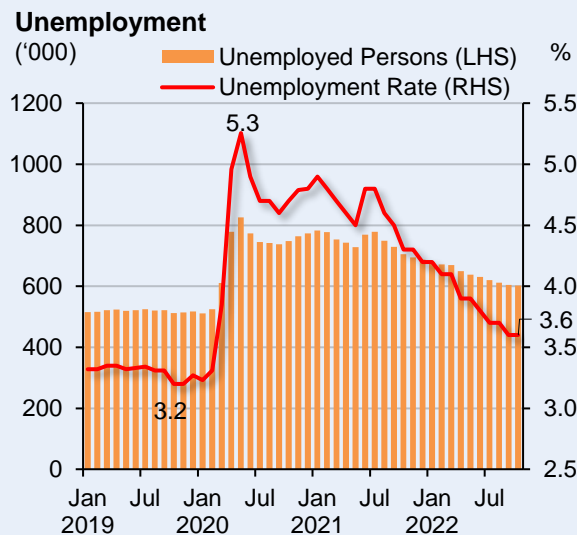
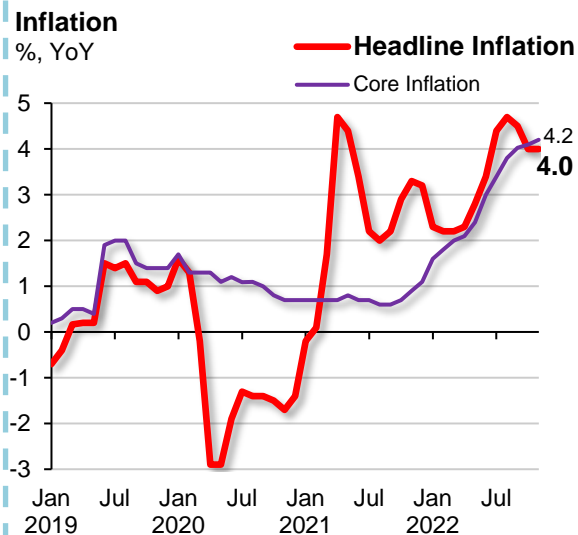
Sale of passenger & commercial vehicles

Thousand units



Source: Bank Negara Malaysia (BNM); Markit; DOSM; Malaysian Automotive Association (MAA)

Tracking Malaysia's economic indicators (cont.)

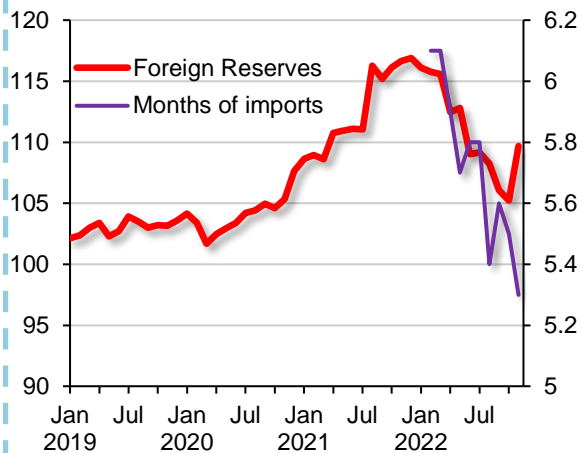


Source: DOSM; BNM; MIDA

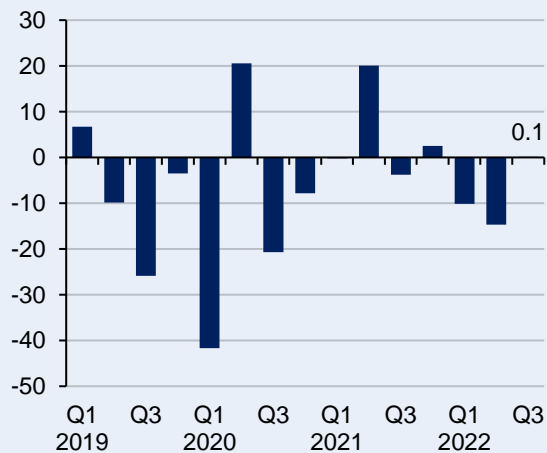
Tracking Malaysia's financial indicators

Foreign reserves
US\$ billion

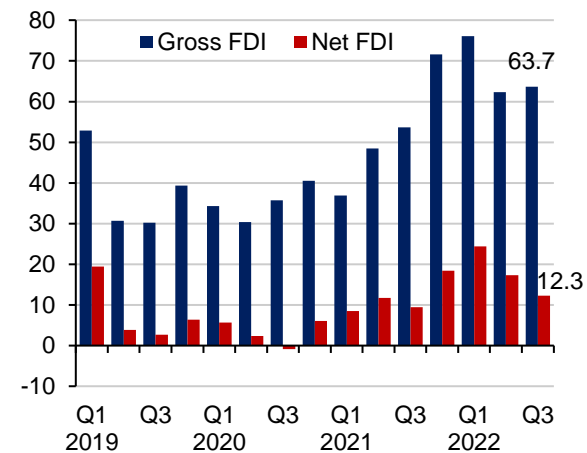
Months of imports of goods and services



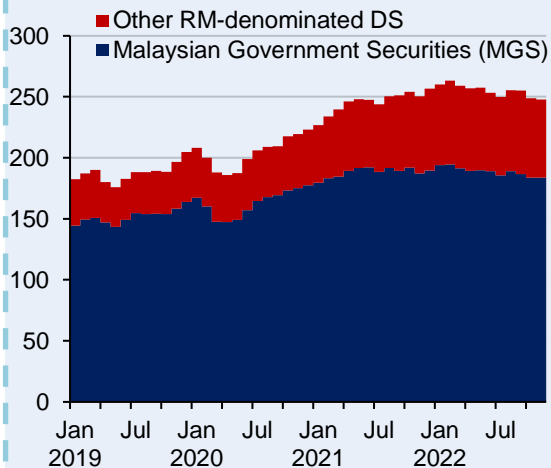
Net portfolio investment
RM billion



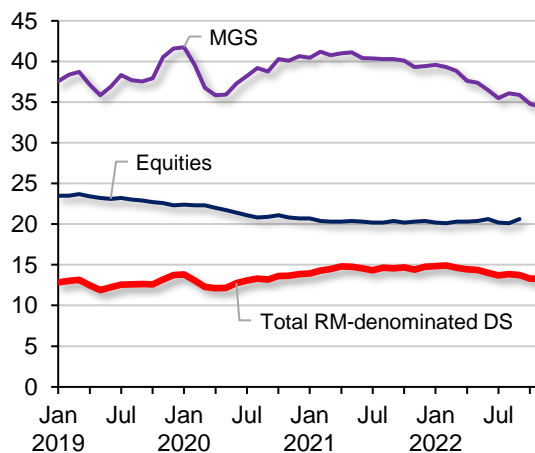
Foreign direct investment (FDI)
RM billion



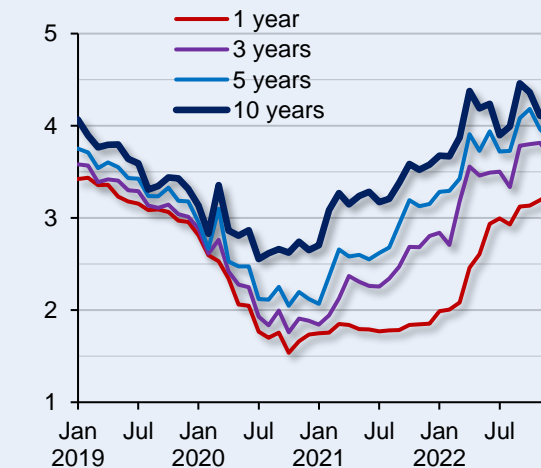
Foreign-owned debt securities (DS)
RM billion



Foreign-owned debts and equities
% share



MGS yield
%



Source: DOSM; BNM; MIDA

Consolidated Fund (Expenditure on Account) Act 2022

Mini budget for 2023

RM107.7 billion temporary operating budget, mainly for civil servants' salaries and other related operational expenditure

RM56.0 billion from Development Fund to meet urgent development expenditure (pursuant to Section 4 of the Development Funds Act 1966)

Among the measures:

Education and job-related assistance and building

- Early School Assistance – RM150 for all students in Jan 2023, regardless of the parent's income.
- Supplementary Food Plan (RMT) and the purchase of textbooks.
- MySTEP program – provide 50,000 contractual career opportunities with salaries between RM 1,500 to RM 2,100, including 35,000 in government-link companies (GLCs).

Cost of Living

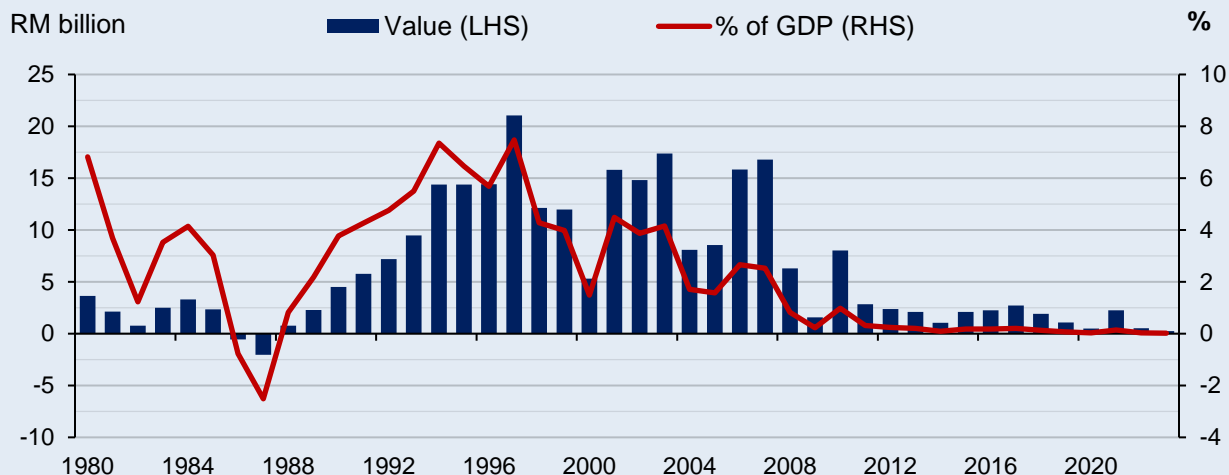
- Bantuan Tunai Rakyat (Phase I, to be disbursed in Jan 2023) – RM2 billion allocated to 9 million recipients, involving RM 300 for each household and RM 100 for each single.
- An additional increase of RM100 per year for civil servants with grades 11-56.
- Special Financial Assistance – RM700 for 1.3 million civil servants with grades 56 and below, and RM350 for 1 million government pensioners.

Natural Disaster

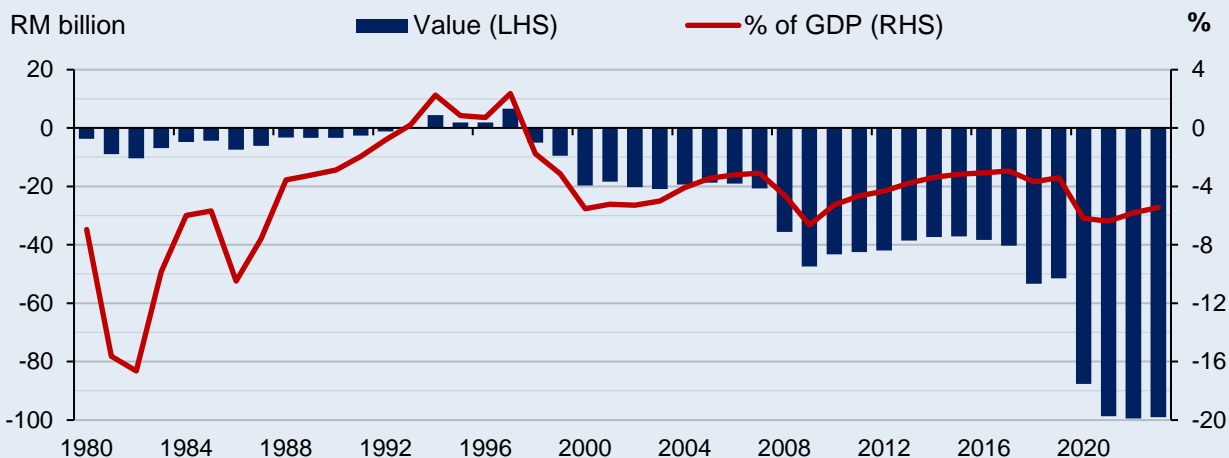
- Monsoon Assistance (BMT).
- Allocation of RM400 million to the National Disaster Management Agency (NADMA).

Avoid twin deficits (operating and overall) of Federal Government

Shrinking Federal Government's operating surplus



Reducing Budget's overall deficit needs bold reforms

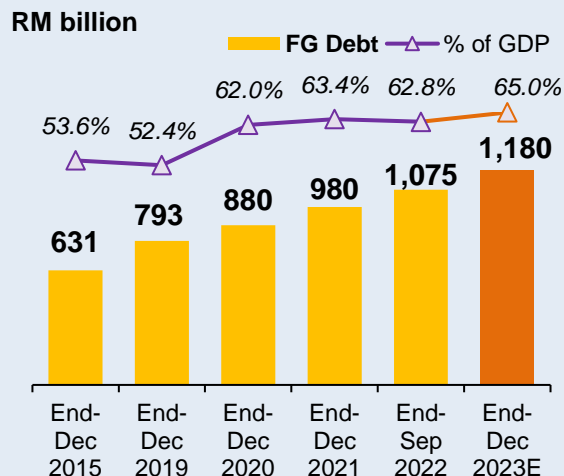


Source: BNM; MOF

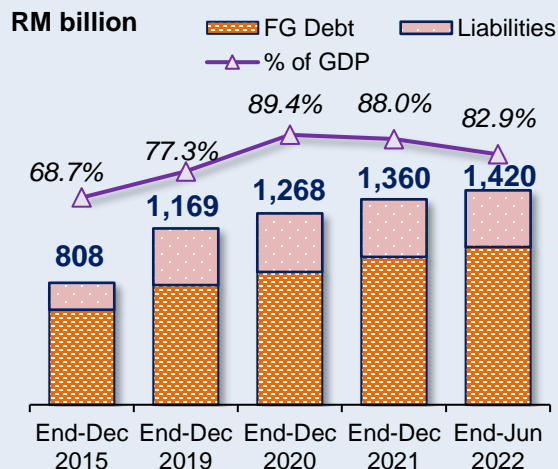
- It is equally worrisome that Federal Government's **operating account surplus has been shrinking.**
- **Persistent high deficits and growing debt** can trigger investors' concern towards fiscal solvency.
- **High debt burdens can impede sustainable growth and crowding out private sector.**
- **If there are twin deficits in both operating and overall accounts could undermine investors' confidence** on the Government's financial discipline management.
- **Implement a credible fiscal reduction plan** to transit gradually from fiscal imbalances to more sustainable levels are clearly needed.
- **Rebuild fiscal space** to deal with future economic and financial shocks and to fund new priorities.

Anchor expectations of sustainable fiscal and debt levels

Federal Government (FG)'s debt



Debt and liabilities



Note: Liabilities in 2015 cover government guarantee only.

Debt legislative guidelines

Act	Statutory Limit	End-Sep 2022
<ul style="list-style-type: none"> Loan (Local) Act 1959 [Act 637] Government Funding Act 1983 [Act 275] 	Outstanding MGS, MGII and MTIB not exceeding 65% of GDP	60% of GDP (RM1,027 million)
External Loans Act 1963 [Act 403]	Offshore borrowings not exceeding RM35 billion	RM30.2 billion
Treasury Bills (Local) Act 1946 [Act 188]	MTB not exceeding RM10 billion	RM8.5 billion

Source: BNM; MOF

- Federal Government's direct debt stood at **RM1.07 trillion (62.8% of GDP) at end-Sep 2022** – a record high level.
- By end-2023, it is projected to be around 65% of GDP while statutory debt at 63% by end-2023.
- To ensure a smooth implementation of 12MP, the Government **may extend the statutory debt limit of GDP in the medium-term.**
- Compared to selected A-rated peers and regional economies, Malaysia ranked the sixth highest (worst) in 2021.
- In terms of debt service charges (DSC) to revenue ratio, Malaysia ranked the second highest at 16.3% in 2021. The DSC is expected to rise higher to 16.9% of revenue in 2023 from 15.1% in 2022, which exceeds the threshold 15% in accordance to international best practices.

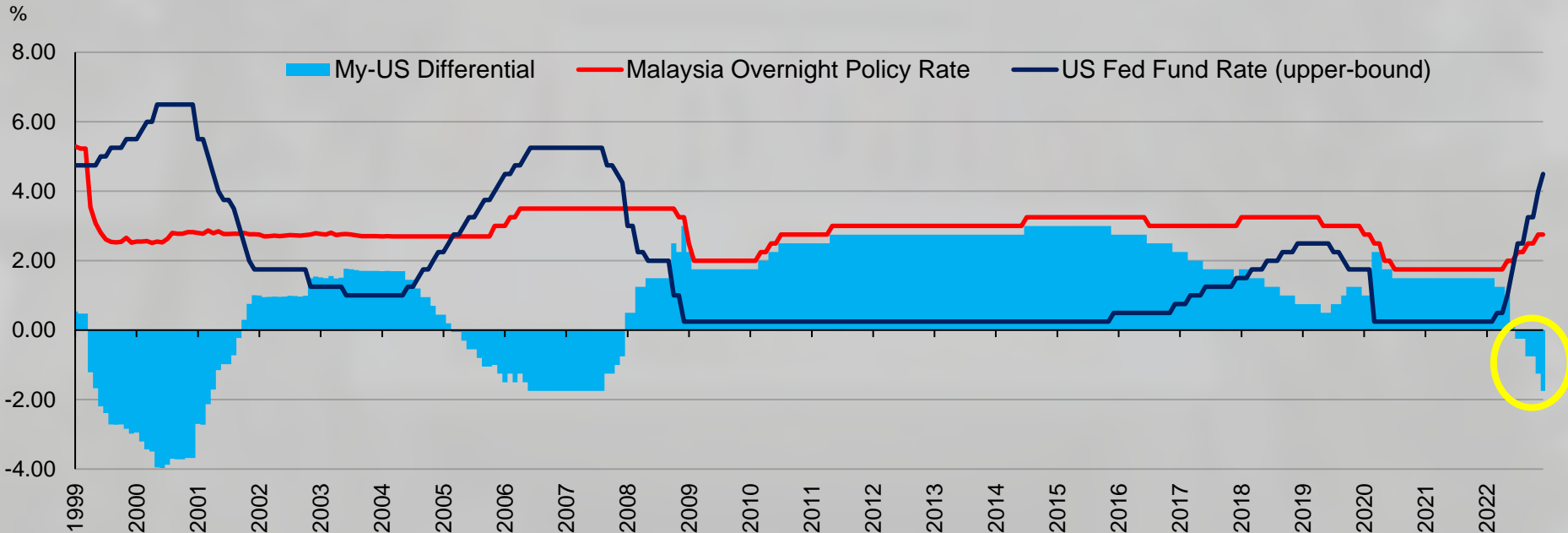


Bank Negara Malaysia: To pivot or not to pivot

- ✓ BNM dismisses recession risk in 2023
- ✓ “Accommodative and supportive of economic growth”
- ✓ Measured and gradual manner
- ✓ Inflation has peaked, but changes in domestic policy creates inflation risk
- ✓ No pre-set course
- ✓ Rebuild monetary buffer

Overnight policy rate (OPR) is estimated to reach 3.25% in 2023

Overnight Policy Rate (OPR) vs. Fed Fund Rate



Source: BNM; Federal Reserve

Note: BNM adopted Overnight Policy Rate (OPR) as policy rate since 2004.

Upside and Downside risks to Malaysia's growth prospects in 2023

UPSIDE RISKS

- **Global recession can be avoided**
- **Potential settlement to end war in Ukraine**
- **Fiscal support for inflation and cost of living**
- **Strong improvement in the tourism sector**

DOWNSIDE RISKS

- **Deep global recession**
- **Escalation of military conflict in Ukraine**
- **Growing inflationary and cost of living pressures**
- **Higher than expected US interest rate hikes**

Post GE15 Policy Landscape

- *Stability of the Unity Government -- pre-condition for institutional and economic reforms*
- *Retabling of the 2023 Budget – How much to change?*
- *Immediate priorities and low hanging swift reforms:*
 - ✓ *Inflation and high cost of living*
 - ✓ *Subsidies rationalisation*
 - ✓ *Shortage of workers; jobs and skills training*
 - ✓ *More domestic and foreign investments*
 - ✓ *Institutional reforms (MA63, separation of power, bipartisan appointment of commissioners to integrity institutions)*

What has the Unity Government done so far?



Events to watch

19 Dec 2022

- ✓ Appointment of Dewan Rakyat speaker
- ✓ RM107.7bn Interim Mini Budget

24 Feb 2023 (18 days debate)

- Re-tabling of 2023 Budget

1Q 2023

- UMNO elections

1H 2023

- Six states' elections (Selangor, Pulau Pinang, Negeri Sembilan, Kedah, Kelantan and Terengganu)

- ✓ **A lean Government** (55 cabinet ministers: 28 Minister and 27 Deputies).
- ✓ **PM not drawing salary and 20% pay cut for Ministers** until the economy fully recovered.
- ✓ One month for DPM to **settle unresolved demands related to the Malaysia Agreement 1963 (MA63)**.
- ✓ **No electricity hike for households, SMEs as well as agriculture industries.** MNCs and large industries will not enjoy subsidized electricity tariff.
- ✓ **Termination of the contracts of all political appointees** in government-linked companies (GLC), government-linked investment companies (GLIC), statutory bodies and Ministry of Finance Inc companies (*Pending for final announcement*)
- ✓ **Five political coalitions and parties signed a MoU** stating their support for the Unity Government to complete a five years term.

Policy implementation impacting consumers, employees and employers



The imposition of **10% sales tax on low value imported goods**, except using air courier service through designated airports in Malaysia on 1 January 2023

Implications

- Increase revenue
- Level the playing field



Implement the **Employment (Amendments) Act 2022** on 1 January 2023 – Reduction in weekly working hours to 45 from 48; employees earning up to RM4,000/month (from RM2,000) will be entitled to overtime payments; 98-day maternity benefits (from 60 days)

- Incur additional wage costs estimated between **37.6% and 97.0%** for different job grades
- Co-share maternity benefits (**98 days**)



Postpone the **RM1,500 minimum wage implementation** for companies employing workers of below 5 workers to 1 July 2023

- Ease cost burden on micro business



Defer the **6% service tax on goods delivery services**, which is slated on 1 January 2023

- Tax revenue forgone
- Ease inflation and business costs pressure

Retable 2023 Budget: How much to change?

Original 2023B: Total expenditure=RM372.3 billion (OE=272.3bn; DE=RM95.0bn; C19 Fund=RM5.0bn)

Interim Mini Budget

RM163.7 billion

(44.0% total original Budget)

- Reaffirm fiscal consolidation and fiscal reduction plan
- A balanced approach to reinforce the recovery through strengthening economic and financial resilience and radical structural reforms.



Smaller fiscal deficit at 4.5%-5.0% of GDP in 2023 vs. 5.8% of GDP in original Budget. Expect cut in Development Expenditure



Continued cash assistance; cut in personal income tax rate (RM50,000-RM100,000); 2% cut in SMEs preferential tax rate (to 15%) for higher threshold; special financial aid for civil servants



Financial grant and funds for SMEs, tourism sector, export sector, green initiatives, climate related programs, Industry 4.0



Public infrastructure projects, socio-economic and community based programs



- Civil servants from Grade 11 to Grade 56: RM100 Special Annual Salary Increase
- Special financial aid of RM700 to 1.3 million civil servants under Grade 56 and below
- One-time RM350 payment to one million government pensioners



List of major new projects under original Development Expenditure

Transport sector
RM16.5bn

Upgrading, expansion and maintenance of infrastructure



Trans Borneo Highway



Sarawak Sabah Link Road Phase 2



Pengalat-Papar bypass road in Sabah



Upgrading of Pasir Gudang Highway

Energy and public utilities
RM3.3bn

Construction of:

- *Water treatment plant in Landeh, Sarawak*
- *Solar hybrid system in Beluran, Sabah*
- *Upgrading of regional sewerage treatment plant in Pasir Gudang, Johor*



Health and Housing sector
RM4.7bn and RM2.1bn

To build, upgrade and repair health facilities and affordable housing

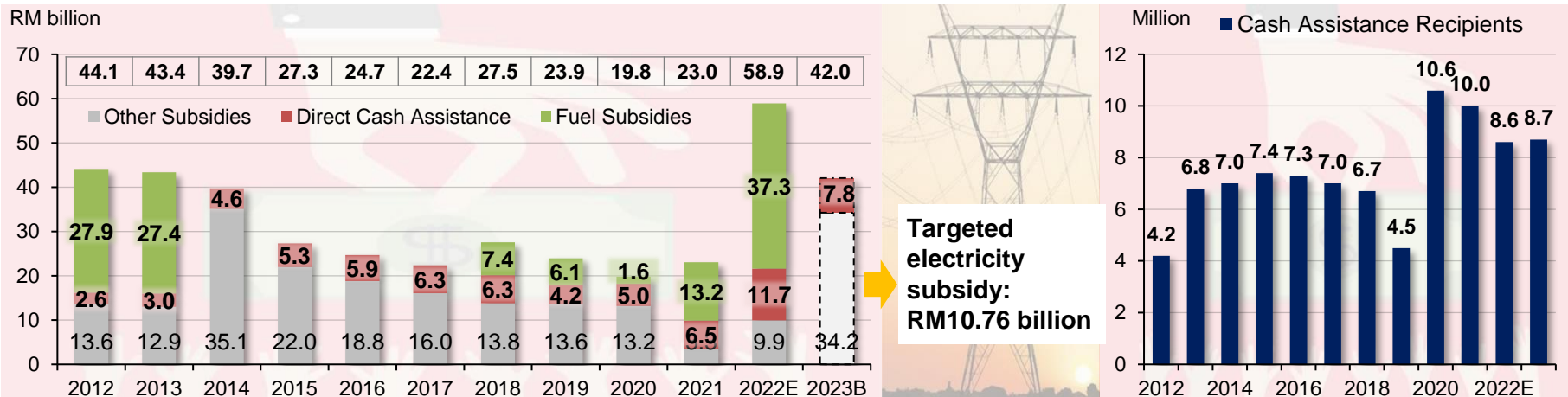


Construction of:

- *Women and children's block in Melaka General Hospital*
- *People's Housing Project (PPR) in Arau, Perlis; Marang, Terengganu; and Machang, Kelantan*

Source: MOF

Bloated subsidies raise concern about fiscal sustainability



Year	% of Operating Expenditure (OE)	% of Total Revenue	% of GDP	Year	% of Operating Expenditure (OE)	% of Total Revenue	% of GDP
2012	21.4 (1.3)	21.2 (1.3)	4.5 (0.3)	2020	8.8 (2.2)	8.8 (2.2)	1.4 (0.4)
2013	20.5 (1.4)	20.3 (1.4)	4.3 (0.3)	2021	10.0 (2.8)	9.9 (2.8)	1.5 (0.4)
2014	18.1 (2.1)	18.0 (2.1)	3.6 (0.4)	2022E	20.7 (2.8)	20.7 (2.8)	3.4 (0.5)
2015	12.6 (2.4)	12.4 (2.4)	2.3 (0.5)	2023B	15.4 (2.9)	15.4 (2.9)	2.3 (0.4)
2016	11.7 (2.8)	11.6 (2.8)	2.0 (0.5)	<i>Note:</i> Direct cash assistance schemes in 2020-2023 are as per announcement made in the Budget, excluding other cash assistance schemes. Figure in parenthesis refer to % share of direct cash assistance over total operating expenditure (OE), total revenue and GDP. Total subsidies in 2022E and 2023B are based on Fiscal Outlook 2023.			
2017	10.3 (2.9)	10.1 (2.9)	1.6 (0.5)	<i>Source: Ministry of Finance (MOF); Inland Revenue Board (IRB); BNM; Various news</i>			
2018	11.9 (2.7)	11.8 (2.7)	1.9 (0.4)				
2019	9.1 (1.6)	9.0 (1.6)	1.6 (0.3)				

Subsidies rationalisation: Sustainability, Priority, Affordability

- **Bloated subsidies unsustainable (RM58.9 billion in 2022; RM42.0 billion in 2023)**
- **Restraining factors: Current cost increases for businesses and high inflation pressure on consumers**



Set priorities right – Blanket to targeted (coverage, criteria). Do not penalise the groups still dependent on subsidies on essential goods



Practical mechanism to streamline subsidies in stages



Coupon; two-tier pricing; cash handouts



Assertive Basic Income (topping up to RM2,208 per month per household) – Feasible? Fiscal cost?



PH's and BN's Manifestos



PAKATAN HARAPAN (PH) GE15
ACTION PLAN



BARISAN NASIONAL (BN)
MANIFESTO

- In broad sense, both PH's and BN's manifestos address and provide structural solutions for the rakyat's immediate concerns about economic issues (cost of living, income, jobs), education, healthcare and climate change-related impact.
- **Governance and institutional reforms also featured prominently**, underscoring the importance of reforming political and public institutions to ensure effective governance, transparency and accountability of the Government administration.
- Both manifestos have some notable common offerings though **we believe that some initiatives can be implemented immediately, in particular concerning people-centric measures to ease the impact of inflation and higher cost of living on B40 households.**
- We view positively the laid-out pledges to ensure good governance practices and to undertake institutional reforms.
- With a convincing two-thirds majority, we hope that the Unity Government **can front-load as well as prioritize the implementation of governance and institutional reforms.** Political reforms do not incur any fiscal costs compared to economic and social reforms.

No Quick Fix to Cost of Living

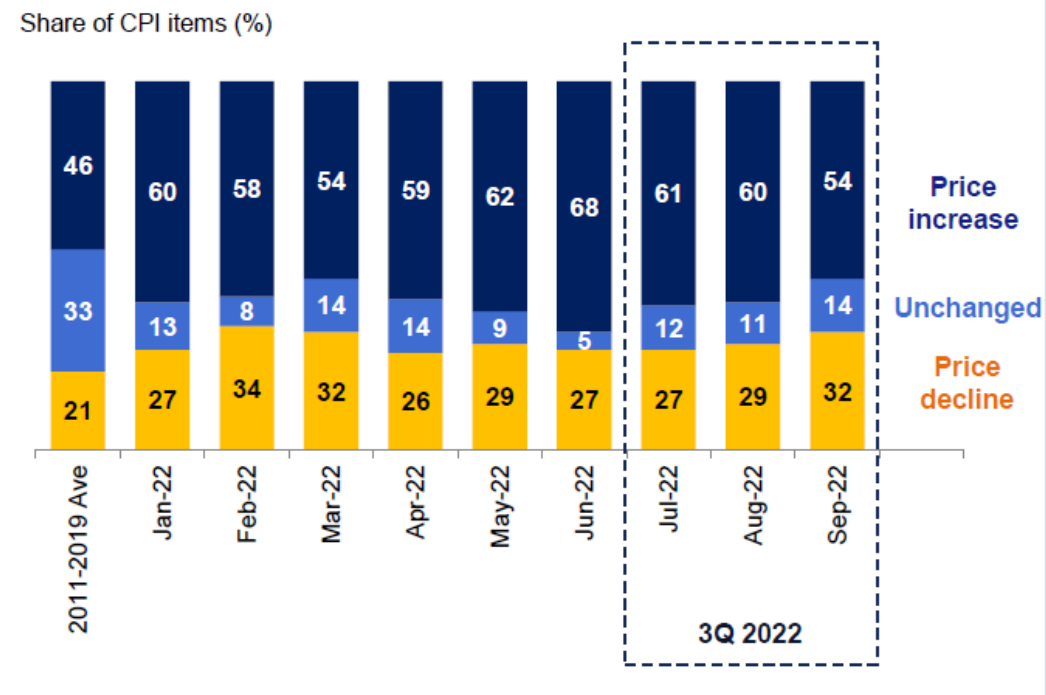
- *Cost-of-living challenges have been in existence for years*
- *Not all policies will be equally effective and some may disproportionately benefit the people*
- *Main factors influencing cost of living pressures are income growth and employment income (wages) not keeping up with rising cost of living as well as prices of goods and services*
- *Policy responses and interventions have to be recalibrated at the different stages and pathway of price increases and cost of living trajectory*

Cost-of-living crisis

- The unprecedented soaring food, energy and commodity prices in 2022 have impacted millions of people around the globe, causing hardship to the poor and low-and middle-income households and individuals as they struggle with rising cost of living challenges or crisis.
- A cost-of-living crisis is defined as "a situation in which the cost of everyday essentials like groceries and bills are rising faster than average household incomes."
- Increased prices of goods and services relative to income growth and wages have squeezed households' budget, leaving them with little or no savings or even on borrowings for meeting emergency or contingency needs.

Share of CPI items recording month-on-month price increases moderated slightly, but remain elevated

Month-on-month price changes of CPI items



Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

Price hikes are expected to continue in 2023

TheStar

A thrifty celebration this Chinese New Year

By ALLISON LAI



NATION

Thursday, 29 Dec 2022

PETALING JAYA: Inflation and unstable weather have led to a lower supply of festive goods but there are still abundant choices for Malaysians shopping for Chinese New Year.

Shortage and food price increases may dampen CNY joy

By KHOO GEK SAN



NATION

Monday, 12 Dec 2022

PETALING JAYA: Fish symbolise "abundance" in Chinese New Year celebrations, but ironically, the treasured seafood is in short supply for the festive season.

Malaysians are told to be prepared to dig deeper into their pockets next month as prices are expected to soar because of poor weather and dwindling catches.

星洲网
sinchew.com.my



灯笼 壁贴 对联 红包封上市 新年装饰品 涨10%

Source: Various news media



年柑上市 涨价20% 一箱20 令吉以下芦柑难找



越接近春节价格越高 海鲜涨价 要买趁早



春节海产起30% 斗鲷 缺货还涨价

東方ONLINE 推荐 国内 国际 视频 财经 社会

南马 发布于 2023年01月04日 17时26分 • 最后更新 16小时前 • 报导: 张文丽

猪肉价格猛涨80% 连锁效应冲击相关行业



产量受气候影响锐减40% 芦柑中、大和特大粒果涨价

5天前 北马

(檳城30日讯) 芦柑产量减少约30%至40%，导致中粒果 (M)、大粒果 (L) 和特大粒果 (XL) 涨价10%至20%。阳光零...

NEW STRAITS TIMES

Vegetables could cost 20 - 30pct more this Chinese New Year



School bus fares set to go up in January

Products price increases

Products price increases



Instant Noodle



Soft-served
Ice Cream Cone



A cup of 'Handcrafted'
Coffee or Tea



'Gourmet' Bun



Plain Croissant



A slide of Cheesecake



A la-carte meal
(without drink)

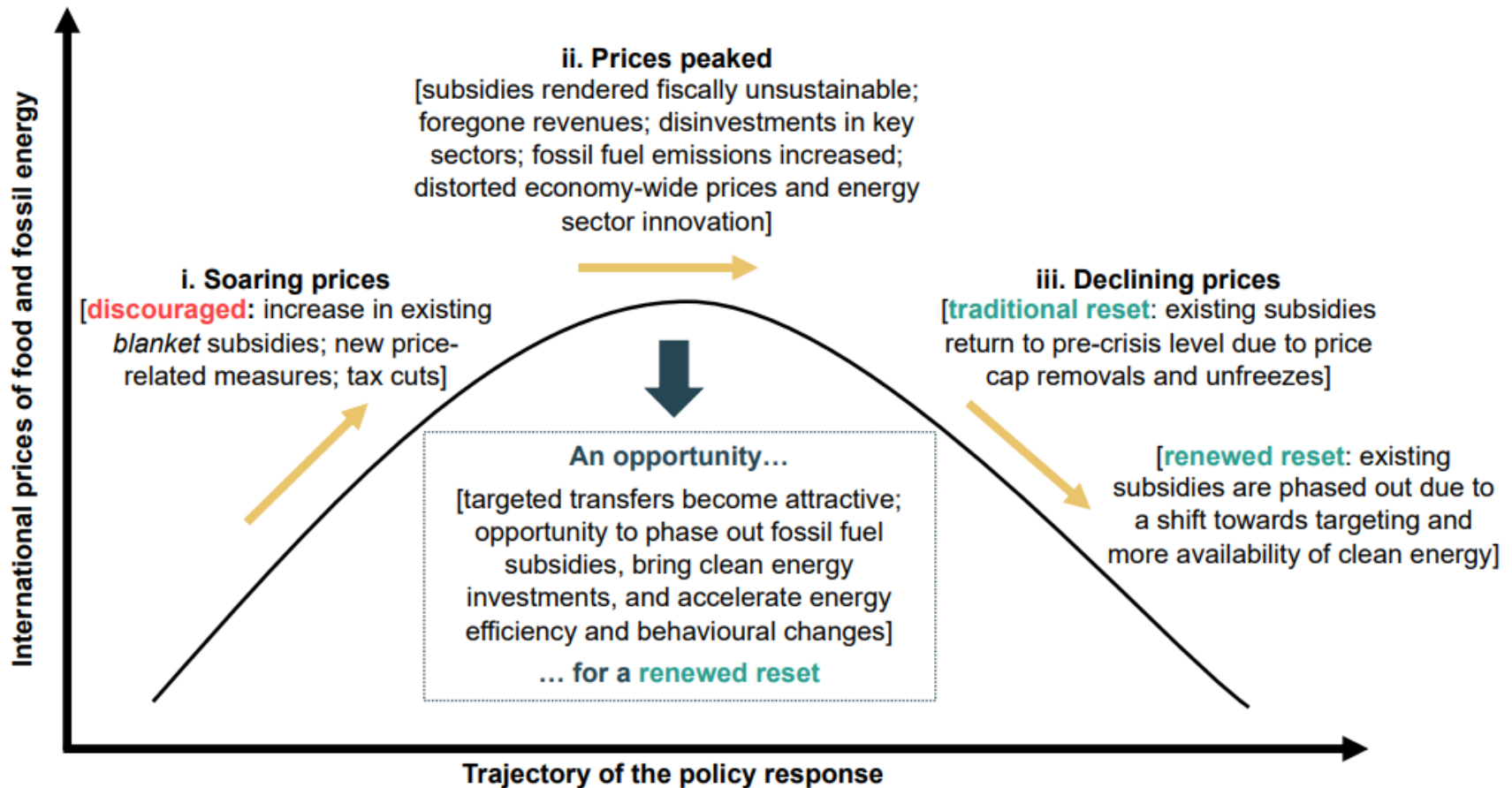


6-course Fine-dining
dinner
(without beverage)

Source: Compilation by Retail Group Malaysia

An inverted-U policy response pathway for the cost-of-living-crisis

The cost-of-living crisis opens the opportunity for a renewed reset in the expected policy response trajectory



Source: United Nations Development Programme (UNDP)

Are the intervention measures really fixing the problems?

The measures ...

- Given the cost-of-living crisis is having a scalable global impact, governments in both developed and developing countries have implemented **a wide range of short-term stop gap measures and programs** to ease the impact of inflation and cost of living.
- Among the intervention measures include:
 - Energy (fuel and gas) subsidies
 - Limited free train ride and public transport pass
 - Subsidised rent for targeted households
 - Direct cash transfer
 - Exports restriction on certain food items
 - Family ration cards for the purchase of essential goods

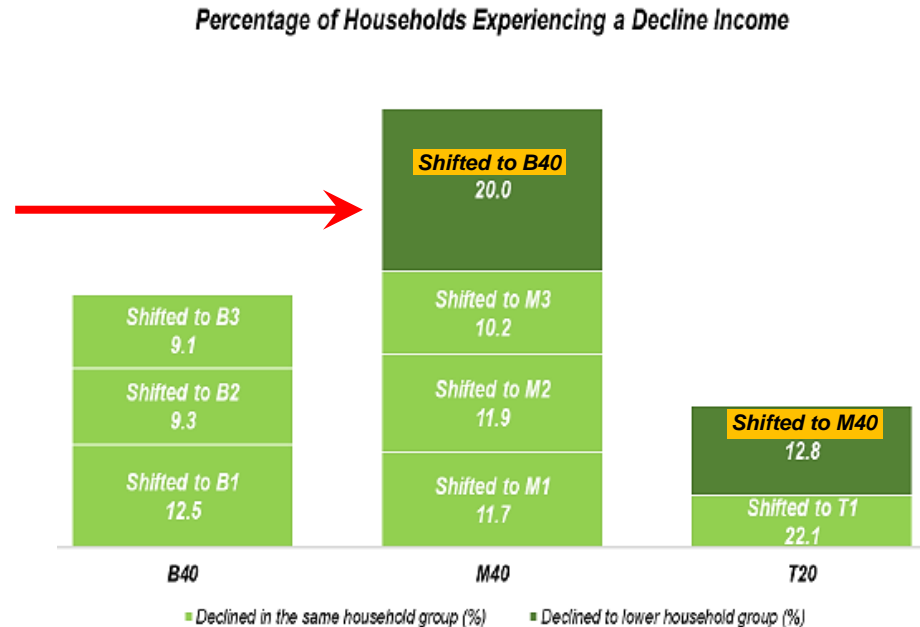
The trade-offs ...

- The short-term price capping and subsidies interventions come with **economic opportunity costs such as unsustainable fiscal cost, wastage and harmful to environment** such as fuel, misallocation of resources as subsidies divert spending on productive sectors.
- We have to reckon that **not all policies will be equally effective and some may disproportionately benefit the people.**
- For example:
 - Blanket fuel subsidies end up benefitting high income households more than lower income people.
 - For producers, wholesalers and retailers, the price controls and capping below production cost, making businesses absorb costs would squeeze their profit margin and making losses, and eventually forcing them out of the market. This in turn further exacerbates the shortage of supply.

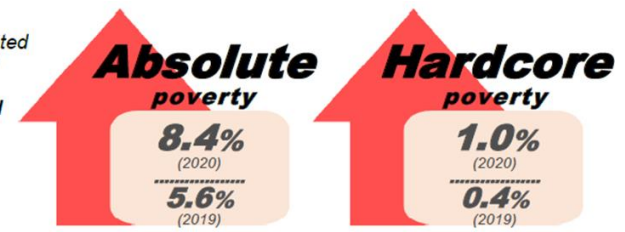
Hence, the policy responses and interventions have to be recalibrated at the different stages and pathway of price increases and cost of living trajectory.

Cost-of-living challenges have been in existence for years

- The cost-of-living challenges got worsened during the COVID-19 pandemic and post pandemic due to income loss or reduced income that could not catch up with rising prices of goods and services.
- **Over half a million middle-income group (M40) households have slipped into the bottom 40% (B40) category, which is equivalent to 20% of total M40 households.** Over 638,800 households with monthly incomes below the national poverty line income of RM2,208 in 2020 (405,400 in 2019). The number of hardcore poor households was 78,000 in 2020 (27,200 in 2019).
- Rising cost of living **pressures cover expenses on essentials (such as food, clothing, services and other necessities), housing affordability, healthcare, public transportation.**
- **Differences in living costs are notable across states, urban and rural areas,** with large price differences across higher cost of living in Kuala Lumpur, Selangor, Penang, and Johor compared to lower living costs in poorer states (Kelantan, Terengganu and Perlis).



In the year of 2020, estimated **639.8 thousand** of households falls under absolute poor household



Source: DOSM

Cost-of-living pressures: What are the causes?

MAIN FACTOR

Income growth and employment income (wages) not keeping up with rising cost of living as well as prices of goods and services



- **Employment income growth** (low starting salary) for fresh graduates and new entrances to the labour market as well as moderate wage growth for those with higher qualifications.



- **Low precautionary savings** and the ratio of household debt-to-GDP has reverted closer to pre-pandemic levels at 84.5% (December 2021: 89.1%; 2019: 82.8%).
- **Heavy debt burdens** cause financial pressures on most working adults



- **Deteriorating housing affordability** in major cities and towns.
- **Rental burden** is also felt by most working adults.
- **Shortage of affordable housing** is most severe for households earning between RM3,000-RM5,000 per month

Short-term measures to ease immediate cost of living pressures



A mix of **short-term measures** for **targeted households and individuals**:

- ✓ Direct cash assistance
- ✓ Continued subsidies on essentials
- ✓ Price controls and festive controlled items
- ✓ Freezing of hikes in water, gas and electricity water tariffs
- ✓ Temporary importation of food
- ✓ Discounted unlimited rides for public commuters
- ✓ Coupons tagged with selected goods and services for targeted users



Given fiscal constraints and also ensure that no one is left behind for the vulnerable groups, the Ministries and agencies concerned must have a **good database to identify the deserving recipients** and also the **participating merchandisers and retailers**, including the supermarkets and food chains

Tips for households and individuals



- Must cultivate smart and prudent spending habits
- Keeping tabs on their monthly expenses
- Compare prices and look for substitutes when making purchases, especially rising prices of essential items take a toll on their wallets

Food for thought:

*How much can households and individuals further cut down their expenses **during cost-of-living crisis?***



Question:

Are all your expenses on the list necessary expenses or lifestyle expenses? **Revisit your spending.**



All my expenses on the list are really necessary spendings, there is no more space to cut!

During cost-of-living crisis, some common expenses may be reduced/cut, or replaced by cheaper alternatives.

- Entertainment subscription fees such as Astro, Netflix, Spotify, etc.
- Dine out – Cheaper alternatives
- “Once-in-a-while” entertainment expenses like entertainment, theme park, etc.
- Prepaid telco plan; energy-savings

Remember: Many a little makes a mickle !

Instead of cracking for any more expenses to be cut ...

- Coupon, discounts or holiday sales; sharing of second-hand products, as well as charity help
- **Supplemental or expansion of income** to boost financial stability:
 - Enhance employability for better pay
 - Part time job/ side job
 - Offer to work overtime

Medium- and long-term solutions



Food supply

- Increase the supply of food, reduce dependency on imported food, lower the cost of food production, reduce logistics costs of consumer goods distribution; and improve the distribution channels as well as better supply chains management.
- Market competition must be encouraged to curb anti-competitive regulations and policies that harm low-income consumers, and curtail the cartels' behaviour at various levels of the value chain, causing harm to both intermediary customers and end consumers.



Employability

- Structural reforms are needed to boost the employability of and increase incomes of youth, graduates and individuals.
- Merely increase the minimum wage without a matching rise in productivity growth or higher productivity will increase unit cost of production, and hence, cost-pass through onto consumers.



Productivity

- Improving the households' income through income security program for the targeted vulnerable households; enhance their employability and earning power through upskilling and reskilling programs; create better paying employment opportunities; the implementation of productivity-linked and performance driven wage system; and encourage the employers increase the compensation of employees (CE) based on productivity and performance.
- Malaysia CE to GDP ratio of 34.8% in 2021 was lower compared to many developed nations: Singapore (49.6%); Japan (56.1%); the United Kingdom (57.4%); the United States (58.2%); South Korea (58.5%); Australia (59.6%); and Germany (63.2%) in 2019.





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谢谢
THANK YOU

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