

LOAN MORATORIUM

Malaysia Indicator

MEDIA INTELLIGENCE REPORT
5TH AUGUST 2020

Disclaimer: This media intelligence overview is based on known public media outlet coverage. All opinions published in the report were meant to reflect the media sentiment but in no circumstances to be taken as a direct statement from Malaysia Indicator. Any inquires please reach out to editor@malaysiaindicator.com

Headlines on 24 March

Timeline - BNM

News | [Twitter](#) | [Facebook](#)

Berita baik buat peminjam yang berhutang dengan ...

Banks grant six-month automatic moratorium on loans

Tanggung pembayaran pinjaman selama 6 bulan

BNM benar penangguhan pinjaman automatik enam...

Bank Negara announces automatic six-month mora...

BNM to grant six-month automatic moratorium on a...

COVID-19: Bank Rakyat sedia pembiayaan RM200 j...

Kadar jangka pendek ditutup stabil berikutan opera...

Simpan RM2,000, duit hancur dimakan anai-anai

Perintah Kawalan Pergerakan bendung COVID-19 b...

MORATORIUM ANNOUNCED

Automatic moratorium on loan repayments was granted to SMEs and individuals to relieve the burden of Covid-19 pandemic on businesses and households. The moratorium is part of PRIHATIN stimulus package to arrest the economic impact of the pandemic.

Even before the stimulus package is revealed, the headline related to Bank Negara Malaysia was focusing on the initiative.

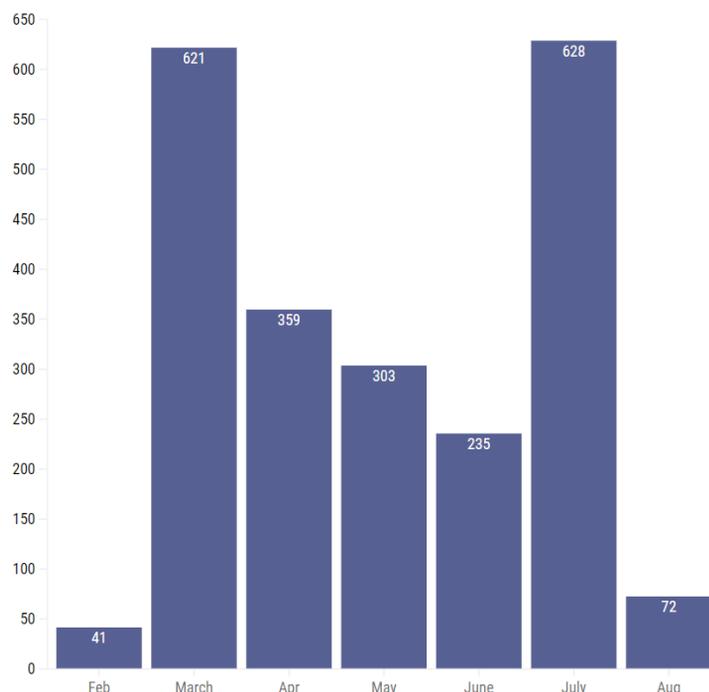
◀| Tue 24

EXTENSION GRANTED

Previously, March recorded the highest media coverage on loan moratorium with 621 news following the announcement and the related Frequently Asked Questions (FAQs) that was provided to clarify the issue to consumers.

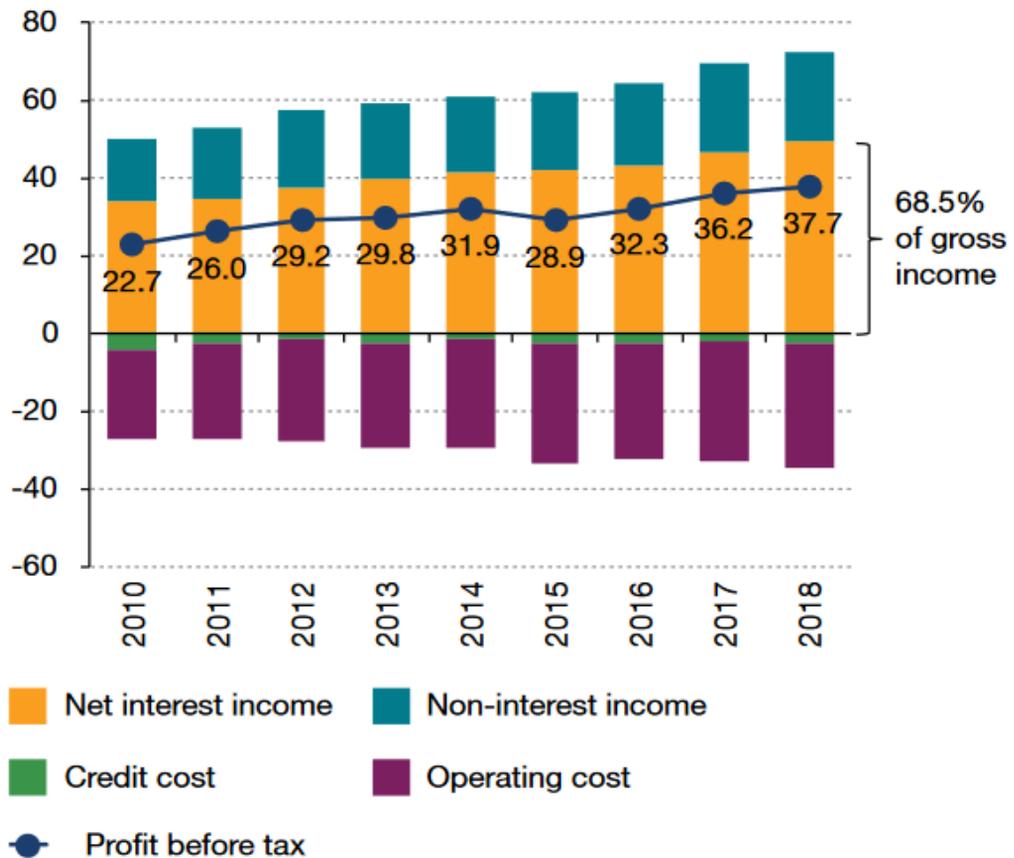
The notable reignition of the issue in July was following the targeted extension of the loan moratorium as announced by the Prime Minister on July 29, following public pressure.

Media Coverage of Loan Moratorium



Bulk of Malaysian banks' gross income contributed by interest income from lending activities

RM billion



Regardless of the impact to the public, the moratorium affect the business of bank too. Due to the moratorium, all debtors can delay their repayment for a period of six months and now with the extension of moratorium, the impact will be amplified.

To look at the impact, we can observe the interest income of all bank. Since the moratorium stop the bank from collecting repayment from all debtors, it would be most visible at the level of interest incomes. According to Bank Negara, 68.5% of gross income of all bank come from interest incomes.

The contribution of non-interest income is only around 30% to the banking system, mainly from credit-base fee income, trading and investment income and dividend income. Fee income is not prominent for all bank. Thus, interest income dictates the profitability of bank.

Net Operating Income (RM' million)



A look on Malaysia largest bank, Maybank show that net interest income constitute about RM12 billion, half of the operating income. If we were to do a back of an envelope calculation, the bank would collect RM6 billion less this year due to half year moratorium.

The third largest bank, CIMB, attribute round 70% of their income from interest. If we were to half the income, it would mean a RM6 billion reduction in income to the bank.

Operating Income

(RM 'mil)	FY19	Y-o-Y	4Q19	Q-o-Q
Net interest income	12,659	6.3%	3,346	3.0%
Non interest income ^	5,137	12.9%	1,177	(15.3%)
Total	17,796	8.2%	4,523	(2.5%)

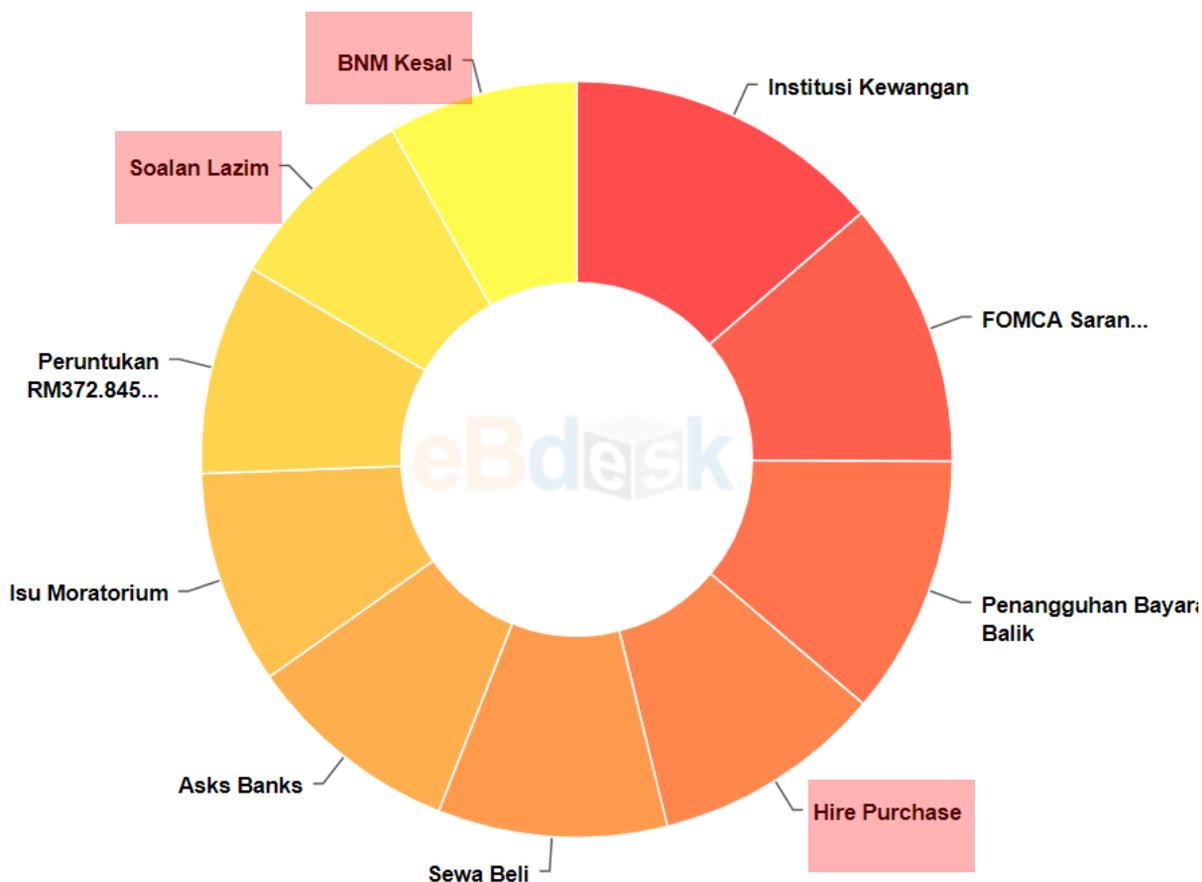
THE HIRE PURCHASE CONUDRUM

News | [Twitter](#) | [Facebook](#)

1st May – 31st May

Top issues

All issues



Top Issue: Loan Moratorium

When the moratorium was first announced, the public euphoria has blinded many from reading between the lines. Given the importance of interest income for the banks, the central bank made clear that payment deferment will still cause accrued interest. In May, the issue of compounded interests for hire purchase are making headline as many assumed that the moratorium also pertain to interest.

Accrued interest or profit imposed by financial institutions on hire purchase customers was previously not exempted for the six-month moratorium period. But due to the poor clarification, many consumers misunderstood the initiative. BNM has since removed its FAQ dated 27 March while expressing regret over the confusion.

Following the notable backlash, the Ministry of Finance announced that no additional interest is charged for hire purchase agreements during the 6-month deferment period.

WAIVING OF ACCRUED INTEREST

Zafrul Aziz

May 2nd · Malaysia Kini

Considering that there is a possibility that this could happen and after listening to the needs of the rakyat, I urge all financial institutions... to...

Zafrul Aziz

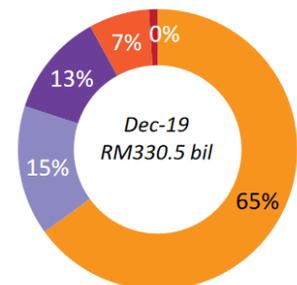
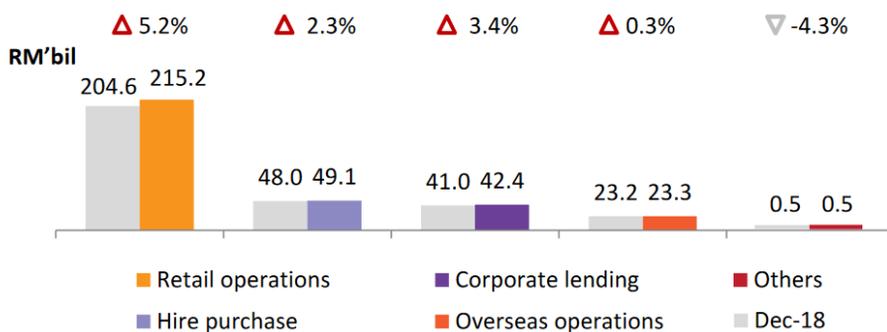
May 6th · New Strait Times

banks to consider abolishing the accrued interest on such loans during the six-month moratorium on repayments in the wake of public concerns over the matter.

In the beginning when the moratorium was formulated, the deferment was meant to come with accrued interest, in which the interest of the deferment period would be added to the payment later on. In this way, the bank did not make any loss for the moratorium other than tighten liquidity, but it was not the case now.

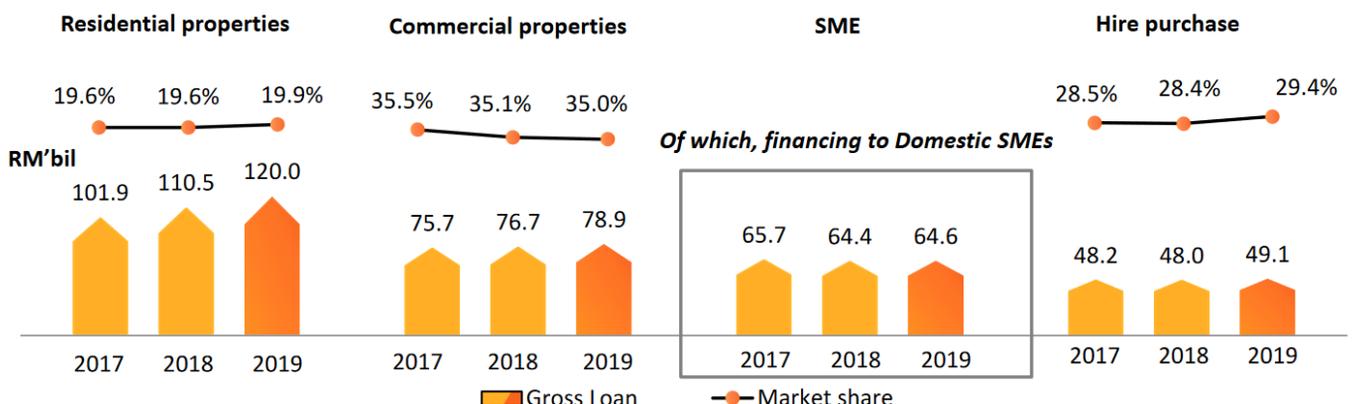
Due to backfire from the public, MOF and BNM decided to forbid the accrued interest for hire purchase, meaning the bank will have to bear the loss of interest during the moratorium period. In the case of Public bank, for example, the bank has RM49.1 billion gross loan in Hire purchase, about 15% of its total loan as in 2019.

Gross Loan by Segment



Note: Gross loan growth (Dec 2018 vs. Dec 2019)

Gross Loan in Domestic Operations



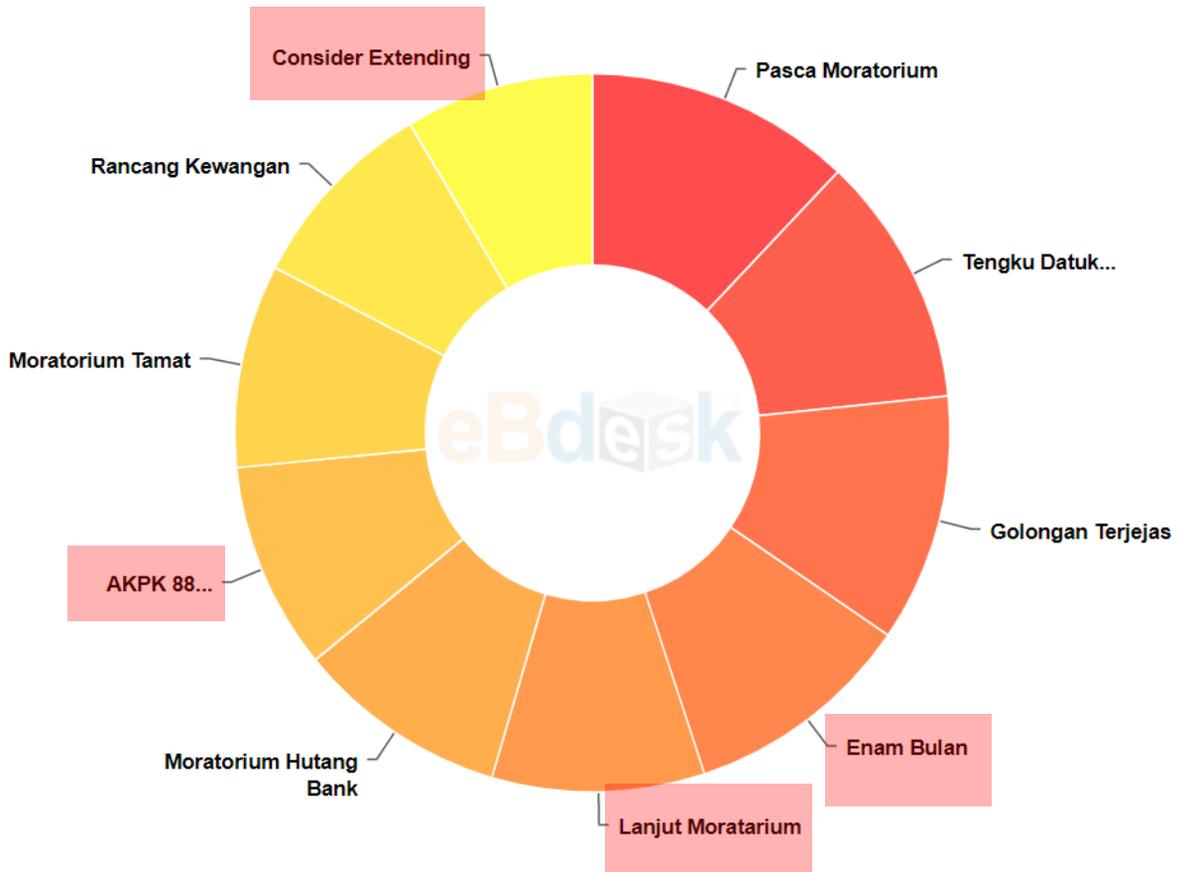
ANOTHER PUBLIC PRESSURE

News | Twitter | Facebook

15th June – 15th July

Top issues

All issues



Top Issue: Loan Moratorium

After the issue was addressed through waiving the interest, the numbers of news has already subsided before notable spike since mid June till July following the question on whether the loan moratorium will be extended or not. Given the fact that the moratorium is going to end in September, the growing anxiety is already palpable among the people.

With the increasing unemployment rate and expected recession, consumers ability to pay back their loan has not yet stabilized. Based on a survey by Agensi Kaunseling & Pengurusan Kredit (AKPK), a financial consultation agency by BNM, a total of 88% respondents had sign up for the moratorium. The survey also recorded 35% increase of financial stress among working adult during the MCO.

CONSUMER SIDE REMAIN LOUDEST

Top Influencers Loan Moratorium

15th June – 15th July

News | [Twitter](#) | [Facebook](#)



Zafrul Aziz
498 statements



J Solomon
151 statements



Mohamed Azmin Ali
105 statements



Nor Fazleen Zakaria
102 statements



Tan Kok Liang
74 statements



Mustapa Mohamed
71 statements



Mohd Shafie Apdal
57 statements



Ahmad Zaini Othman
56 statements



Vincent Tiew
56 statements



Abdul Farid Alias
55 statements

While the hire purchase conundrum has resolved amicably between the banks and their customers, the pressure for the **extension of the loan moratorium was becoming visible from mid June till July.** During the time period, Zafrul Aziz as the Finance minister appeared as the leading figure followed by J Solomon, the secretary-general of Malaysian Trades Union Congress (MTUC).

As a vocal figure on employees' rights, he continuously advocated for the benefits of employees and consumers. Other influencers from AKPK, Nor Fazleen Zakaria and The Malaysian Association of Tour and Travel Agents (Matta), Tan Kok Liang also amplified the same sentiment in the general public unpreparedness in serving their debts.

As such, the narrative on the loan moratorium has been largely dominated by the consumer side as politicians are even more inclined towards championing the public cause.

The voices from the banking industry itself was not as visible. The counter narrative dwarfed in comparison with other influencers. The CEO of Malaysia Building Society and Maybank are among those in media presence.

Nor Fazleen Zakaria

Jul 13th · The Sun Daily

people facing financial problems will be advised by the agency's counsellors on the options available such as speaking to the bank to restructure their loan or...

Tan Kok Liang

Jul 14th · Daily Express

the tourism industry's collective inability to service its debts is due to external forces beyond its control.

PUBLIC ANXIETY

J Solomon

Jul 4th · Astro Awani

the ministry and BNM must not abdicate their responsibility to ensure that the moratorium is extended for another six months to all Bottom 40 and Middle 40...

J Solomon

Jul 4th · Astro Awani

The same extension should also be given to companies with loan facilities which are struggling to keep afloat during this pandemic

J Solomon

Yesterday · New Strait Times

a failure to compel banks to extend the moratorium would result in a record number of forfeitures.

J Solomon

Jul 4th · Daily Express

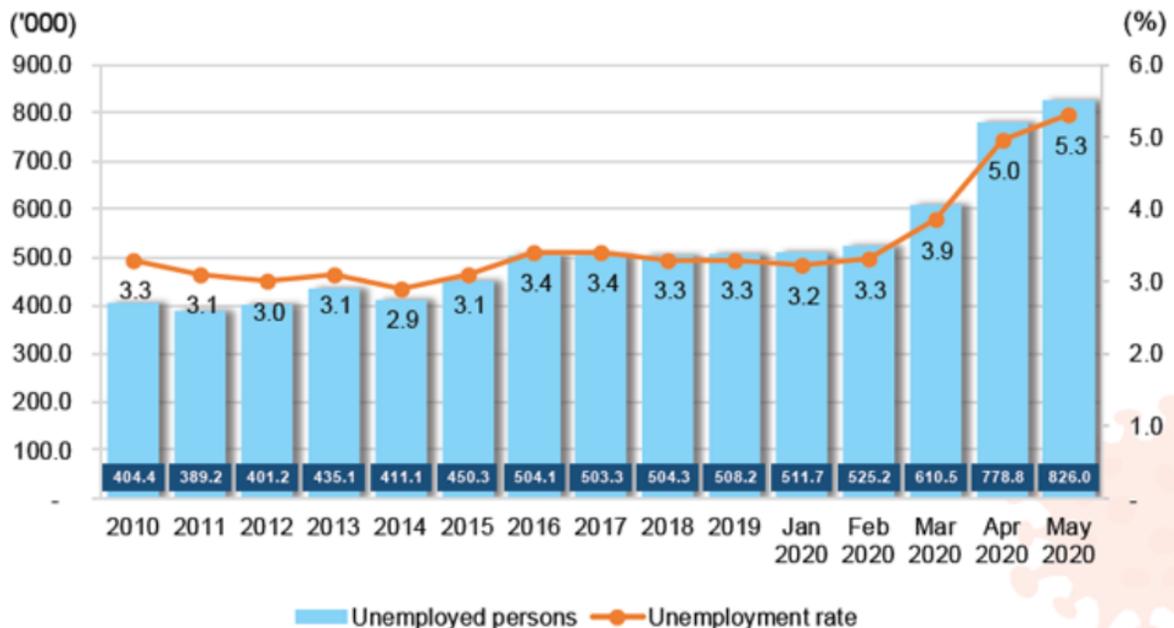
for banks to adopt a 'business as usual' attitude and expect workers, who are still mired in job losses and with little or no income to resume paying their...

As a fierce employees' advocate, J Solomon appeared to aggressively advocate for the moratorium extension.

Malaysia's unemployment rate in April 2020 has escalated to 5.0 per cent as the business closure during Movement Control Order (MCO) has impacted employment opportunity. In May, the unemployment rate increased to 5.3%, with 826,100 unemployed person in the nation.

With the increasing unemployment rate, the public unpreparedness in facing the end of the loan moratorium is visibly depicted as voiced by J Solomon in the media.

UNEMPLOYED PERSONS AND UNEMPLOYMENT RATE, 2010-2019 AND JANUARY-MAY 2020



PROPERTY MARKET

Vincent Tiew

Jun 30th · Money Compass

against the backdrop of the COVID-19 pandemic, individuals and companies were still dealing with the issue of high unemployment rate, which was affecting the...

Vincent Tiew

Jun 29th · The Edge Markets

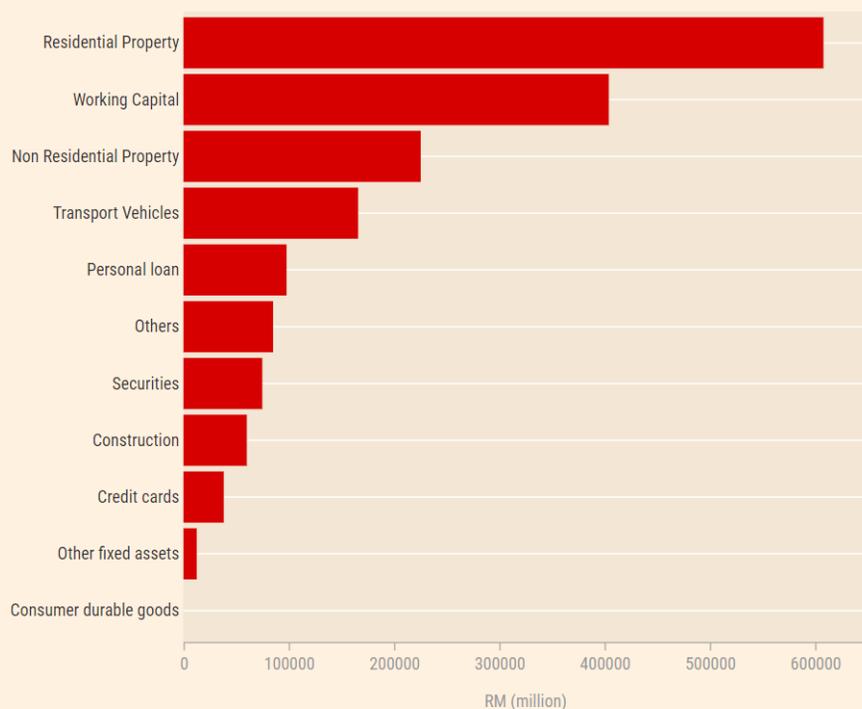
The loan moratorium for the property sector should be extended for another six months by the government, in order to provide a clearer picture for the people...

Another influencer, Vincent Tiew, a property entrepreneur is of the view that the loan moratorium should be extended for another 6 months but he believed that the demand is unlikely to be fulfilled by the banks.

Property developers are highly dependent on property buyers for a continuous cash flow to fund the construction. As construction may continue to operate, the loan moratorium served as an extending lifeline for property developers to shield behind the halt in cash flows from serving their financial commitment with related constructions partners.

Purchase of residential property has historically been the leading loan by purpose in Malaysia. In this year first quarter, the trend remains the same. RM607,954 millions of the approved loan in commercial and Islamic banks was for residential property.

Classification of Loans/Financing by Purpose, Q1 2020
Commercial and Islamic Banks

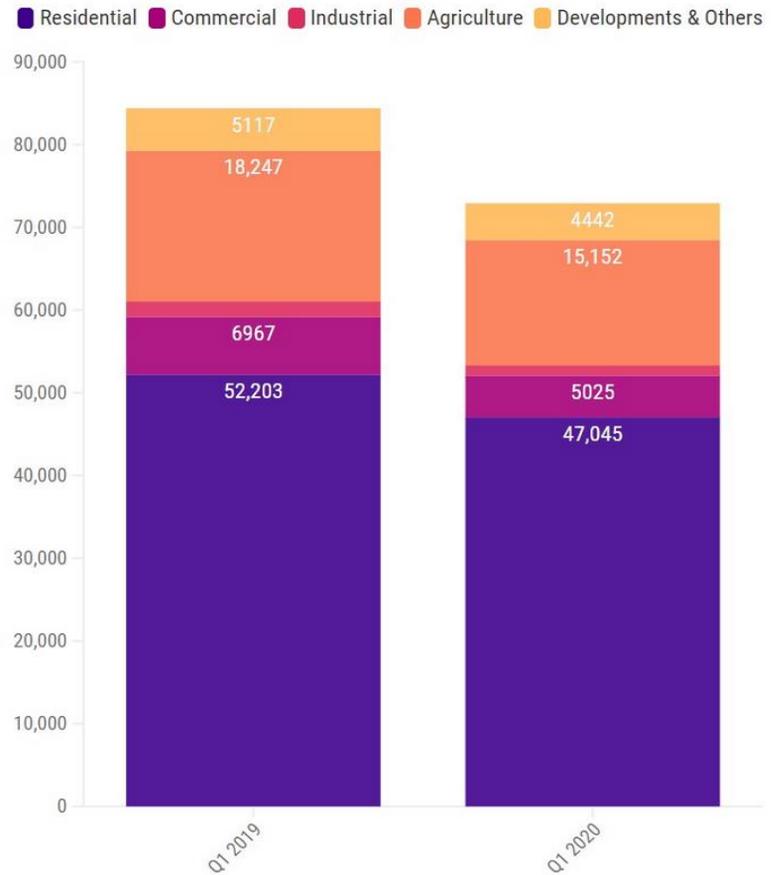


IMMEDIATE IMPACTS

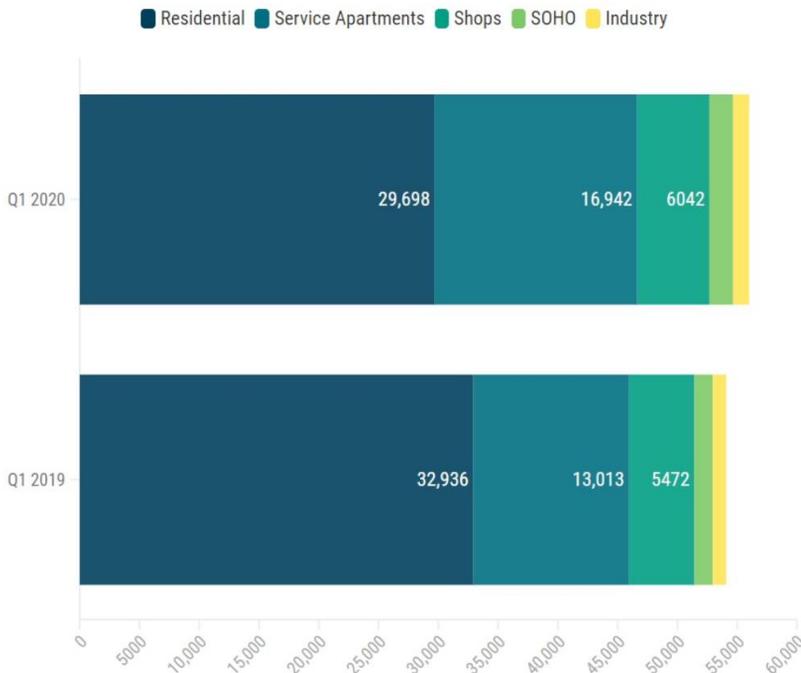
One of the most visible change following the pandemic happened at the volume of property transacted.

All subsector in property sales reported reduce in volume. In the case of Residential, the volume reduced by 10%. The reduction was caused by a 2 weeks period of lockdown during the first quarter.

Volume of Property Transaction by Subsector



Overhang Units by Property Type



Due to the restriction of the movement order, the number of service apartment supplied to the market had reduced significantly.

However, that doesn't help to reduce the overhang problem.

Although the number of housing sales reduced and completion of service apartment reduced by 87.7% in Q1, but the service apartment overhang increased by 30.2%, stood at RM14.92 billion currently with 16,942 units.

COUNTER NARRATIVE

Abdul Farid Alias

Jun 30th · Business Times

As for question whether we are going to extend the moratorium, the answer is 'No' because the six-month period is good enough for us to come out with a plan,"

Ahmad Zaini Othman

Jul 1st · The Malaysian Reserve

MBSB Bank Bhd, which is a subsidiary of MBSB, granted a six-month moratorium to eligible customers starting April 1, 2020. Now, it's all about collection and...

Abdul Farid Alias

Jun 30th · Business Times

the current six-month period was "good enough" for the banking sector and the public in general.

Ahmad Zaini Othman

Jun 30th · New Strait Times

However, at this stage I believe the bank may not be in the position to look at it (extending the moratorium) until we see the hard facts. Restructuring and...

Maybank

Malaysia Building Society

The CEO of Maybank, Abdul Farid Alias stated that the bank does not favour extension of the moratorium while Ahmad Zaini Othman, CEO of Malaysia Building Society that owns MBSB Bank Bhd emphasize that the bank is geared up for the collection phase and is not looking to extend the loan moratorium.

Other than loss of interest profit, there is another important factor to consider for the bank, which is the projection of loan growth to bank. Loan growth has always been the most important parameter to the performance of a bank to sustain its profitability.

Due to the pandemic, there are much lesser people taking up loan. Suppose bank can conserve the capital, but the smaller loan growth also mean that future profitability will be affected.

Loan Approval, 2020



THE DECISION IS OUT

Since mid June till July, the push to call for an extension of the loan moratorium has become louder and louder. On July 29, the targeted extension for the moratorium was officially announced.

Unemployed individuals will enjoy the moratorium for another three months, up to Dec 31. As for those who had wages cut, their monthly installments will be decreased in tandem with their pay cuts.

Headlines on 29 July

Timeline - moratorium

News | [Twitter](#) | [Facebook](#)

Banks to provide targeted moratorium extension, re...

Bila PM Umum Lanjutan Moratorium, Bantuan Bank...

Moratorium extension, targeted assistance to help ...

FMM hails targeted loan moratorium extension, reit...

BNM pastikan kaedah pembayaran balik ikut situasi...

Economists laud move to extend moratorium for tar...

Moratorium tamat: Bantuan untuk golongan bersas...

EVENING 5: Five things you need to know today

More targeted approach to assist borrowers as mor...

Borrowers can apply for flexibility from Aug 7, no C...

◀ | Wed 29

1 Receive Benefits from Prihatin Economic Stimulus Package



2 Number of Benefit Received from Prihatin Economic Stimulus Package



3 Types of Assistance Received

Types of Assistance	(%)
One-off cash aid (<i>Prihatin Nasional</i> /Assistance, IPT Student aid, e-Hailing)	79.2
Moratorium	60.5
Utility Discount	47.4
EPF Cash Withdrawals & Private Retirement	41.2
Wage subsidies and payments under the ERP	13.7
Credit Guarantee Schemes	8.4

In mitigating the financial burden of the pandemic, the Prihatin stimulus package was widely utilised by the public.

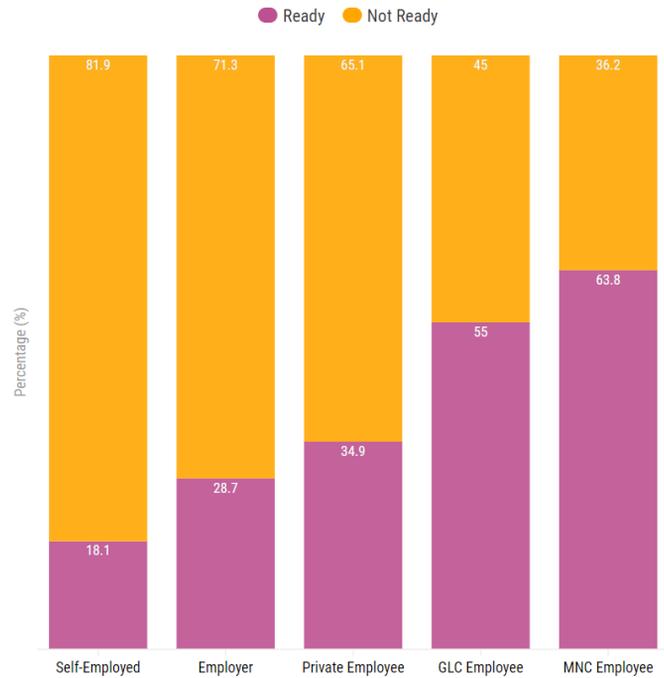
Based on the online survey by the Department of Statistics survey, around 60.5% of respondent has taken the loan moratorium offered. The large dependency to the initiative was in line with growing unemployment rate.

POOR FINANCIAL READINESS

As such, it was of no surprise that previously when Malaysians was asked on their financial readiness on the prospect of extension, most employment group does not appear to be well prepared.

Self-employed and employer are the least prepared group in facing possible extension. With 71.3% of employers are not equipped for an extension, the ripple effects to their business and employees are expected.

Financial Readiness if MCO extended



Source: DOSM

Powered by eBdtek Big Data and Artificial Intelligence

Financial Savings Duration by Employment Status



- As an indicator of financial health, the duration of financial savings by employment status was compared among the employment group. 11% of MNC employees have a saving that can last more than 6 months compared to only 2.4% among self-employed individuals.
- Majority of MNC and GLC employees, as well as employer, have a saving for one month and above. Self employed group are the most vulnerable, with 43% of them only have saving that will last less than 2 weeks.

Source: DOSM

Powered by eBdtek Big Data and Artificial Intelligence

Commercial Banks and Islamic Banks: Non-Performing/Impaired Loans by Purpose

Source: Bank Negara Malaysia



WITHHOLDING NPLs

In comparison of Non-Performing Loan (NPLs) by Purpose, working capital was already known to be the leading NPL in Malaysia by percentage share. Meanwhile NPLs from residential property has already showed a notable spike since second quarter of 2018. The impact of working capital and loan mortgage poor performance will inevitably be amplified once the moratorium is fully lifted.

On another hand, the true challenge start from year 2021, when the moratorium is expired. In banking, commercial loans are considered nonperforming if the borrower is 90 days past due. With the moratorium that are going to expire in September and the extended one in December, the true effect on the loan performance will be most visible in March 2021.

MCO IMPACT

The job market was concurrently affected with the poor business during the MCO. Based on the Department of Statistics (DOSM) survey related to Effects of Covid-19 on Companies and Business Firms, around 42.5% companies/business firms required more than 6 months to recover.

As the business sectors was also dependent on the moratorium, the extension will only postpone the inevitable spike in non-performing loans for both individuals and business.

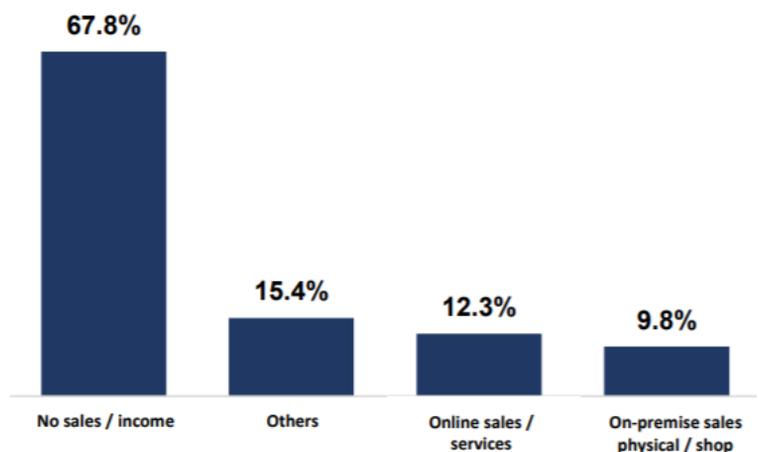
Estimated Duration Companies/Business Firms To Recover



The economic activity in the country was momentarily halted during MCO as only businesses selling essential goods were allowed to operate.

67.8 per cent of companies or business firms informed that they had no source of income during the MCO period. Yet the business owners have to bear the operating cost despite not generating any revenue.

Exhibit 4: Source of Income for Companies / Business Firms During MCO Period



THE VOICE OF DOSM



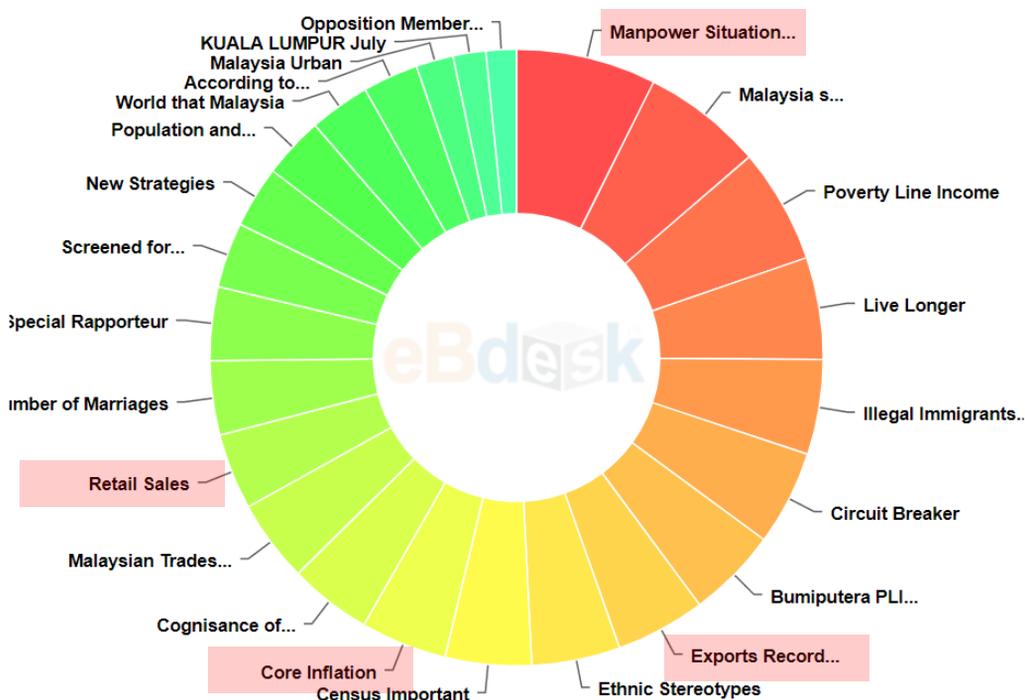
Mohd Uzir Mahidin, the Chief Statistician was consistently visible in the media on July. The Department of Statistics has been at the forefront in reporting the current economic indicator related to the pandemic and the nation in general. Over the last 100 days, the growing concern on the manpower situation is the most visible. While the negative trend in the supply of labor until May this year was notable, RMCO has helped the economy regained its momentum as seen by the slower increase in unemployment compared to the spike from March to April.

Department of Statistics

Last 100 days

All issues

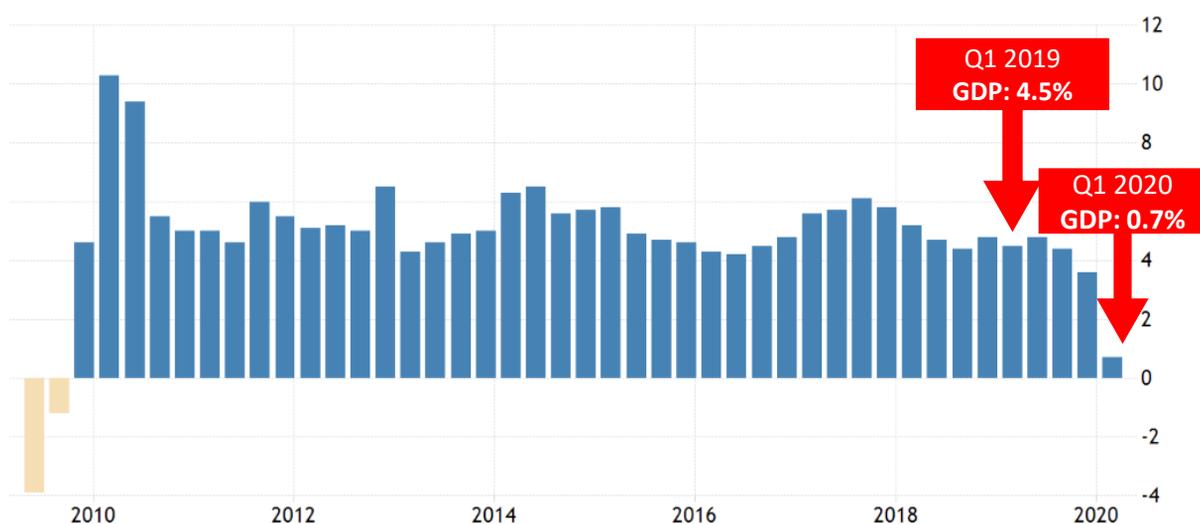
Top issues



CONTRACTING GDP

In relation to the GDP growth, the nation reportedly show a marginal growth of 0.7% in GDP compared to 4.5% in the same quarter last year. The full negative impact of the MCO has been reflected in the nation's GDP growth. It is the weakest pace of GDP expansion since the third quarter of 2009.

Low GDP growth is inevitably associated with high unemployment, as a contracted economy demands a contracted labor force. Moreover, GDP has to grow at the rate of above 4% to create enough job opportunity for the fresh graduates.



SOURCE: TRADINGECONOMICS.COM | DEPARTMENT OF STATISTICS, MALAYSIA



433 new investment projects worth RM97.4b identified — Azmin Ali
Jul 17th · Money Compass

KUALA LUMPUR – The Malaysian Investment Development Authority (MIDA) has identified 433 new projects which have the potential to bring in RM97.4 billion worth of new investment ...



World Bank, IMF's GDP projection reflects investor confidence in Malaysia is restored
Aug 3rd · Money Compass

KUALA PILAH – The World Bank and International Monetary Fund's (IMF) projection for Malaysia's gross domestic product (GDP) of between 6.3% and 7.5% in 2021, reflects ...

Despite the contracting GDP, Malaysian Investment Development Authority (MIDA) has identified 433 new projects which have the potential to bring in RM97.4 billion worth of new investment to the country as delivered by the International Trade and Industry Minister, Azmin Ali.

Meanwhile The World Bank and International Monetary Fund's (IMF) estimated projection for Malaysia's GDP of between 6.3 per cent and 7.5 per cent in 2021, which reflects restoration of investor confidence in Malaysia.

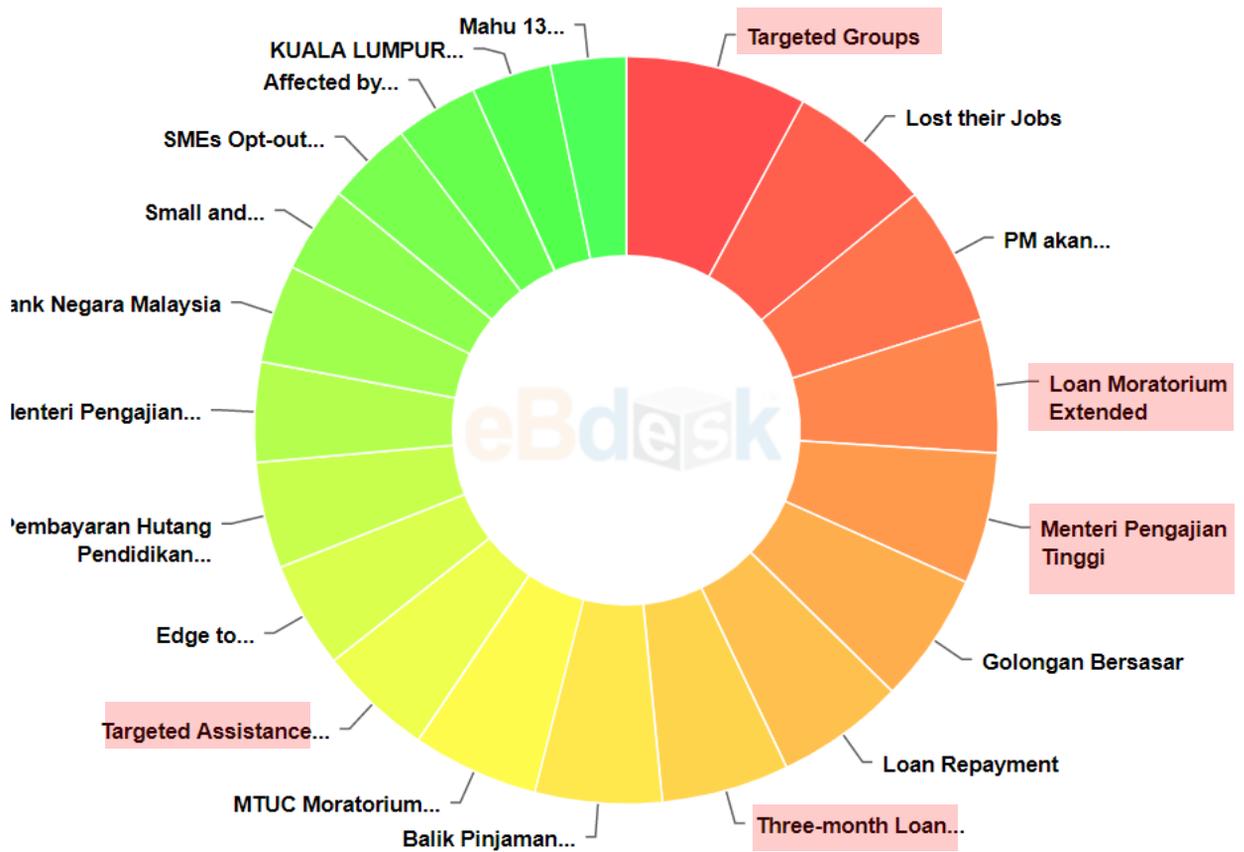
OTHER AID OFFERED

News | [Twitter](#) | [Facebook](#)

29th July – 4th Aug

All issues

Top issues



Following the announcement of the loan moratorium extension, banks have also stated their commitment to assist the borrowers by only requiring the payment of interest for a period that has been fixed, extending the payment period to reduce monthly instalments and other relief measures until borrowers' financial conditions become stable.

The government is also extending the deferment on National Higher Education Fund Corporation (PTPTN) loan repayments for another three months as mentioned by the Higher Education Minister. The extended deferment would be from Oct 1 to Dec 31. All PTPTN borrowers will be given an automatic extension on deferment without having to apply. The total estimated deferral of repayment for the corporation is around RM1.13bil.

THE IMPLICATION



While the extension of the loan moratorium was a timely answer in addressing the public anxiety, the finance minister Zafrul Aziz has revealed that the banking sector is suffering from RM1.06 billion losses per month following the six-month loan moratorium period.

By the time the moratorium period supposedly ends in September, Zafrul Aziz said the banking sector would suffer a loss of RM6.4 billion collectively. Despite that, banks have expressed their renewed commitment to support the public as well as the economy.

This announcement was indeed heading towards the right direction and welcomed as it is meant for Malaysians who are in relatively more unfortunate situations while considering those who are trying to stabilize their living conditions.

Zafrul Aziz

Yesterday · Astro Awani

the total value of the moratorium is estimated to have reached RM62.8 billion as of July 24.

Zafrul Aziz

Aug 2nd · Astro Awani

the banking sector would suffer a loss of RM6.4 billion collectively.

Zafrul Aziz

Aug 2nd · Astro Awani

the banking sector is suffering from RM1.06 billion losses per month following the six-month loan moratorium period.

Zafrul Aziz

Yesterday · The Sun Daily

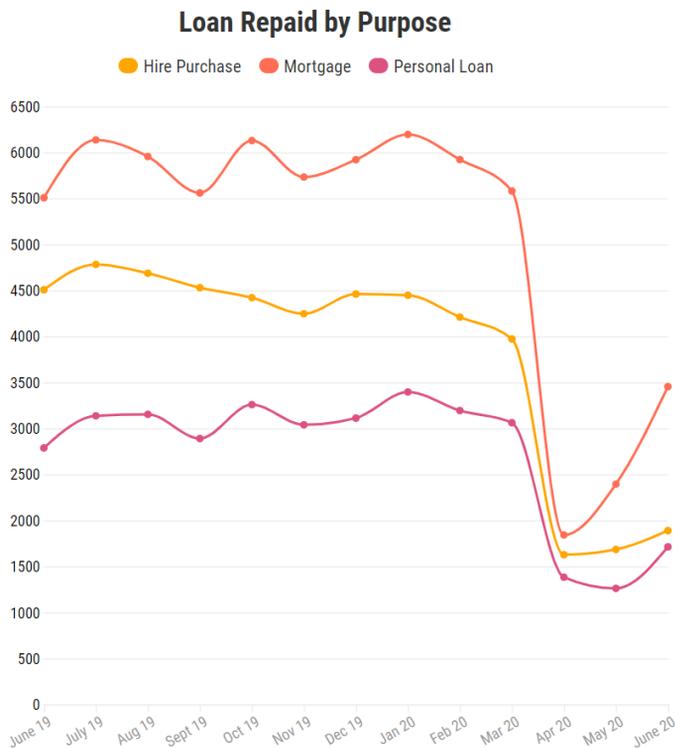
banking institutions had also committed to assisting the small and medium-sized enterprises, including traders, hawkers or the self-employed who were also...

THE REAL NUMBER

The real number is somehow slightly more encouraging than expected.

As shown by Bank Negara statistics, the loan repayment by purpose dropped significantly on April 2020 and currently bank is collecting in increasing fashion compared to during the MCO.

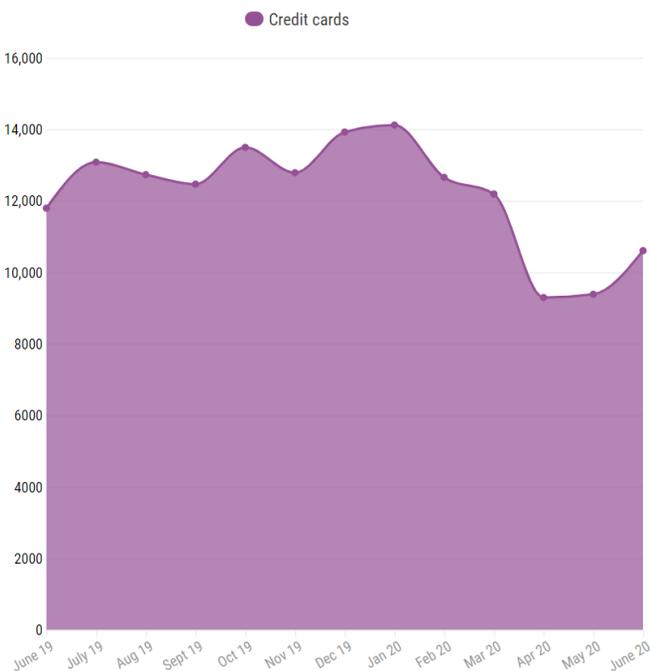
Personal loan should be a source of concern. Although people start skipping their repayment, there are more people taking up this uncollateralized loan.



Source: BNM

Powered by eBdsk Big Data and Artificial Intelligence

Loan Repaid by Purpose



Source: BNM

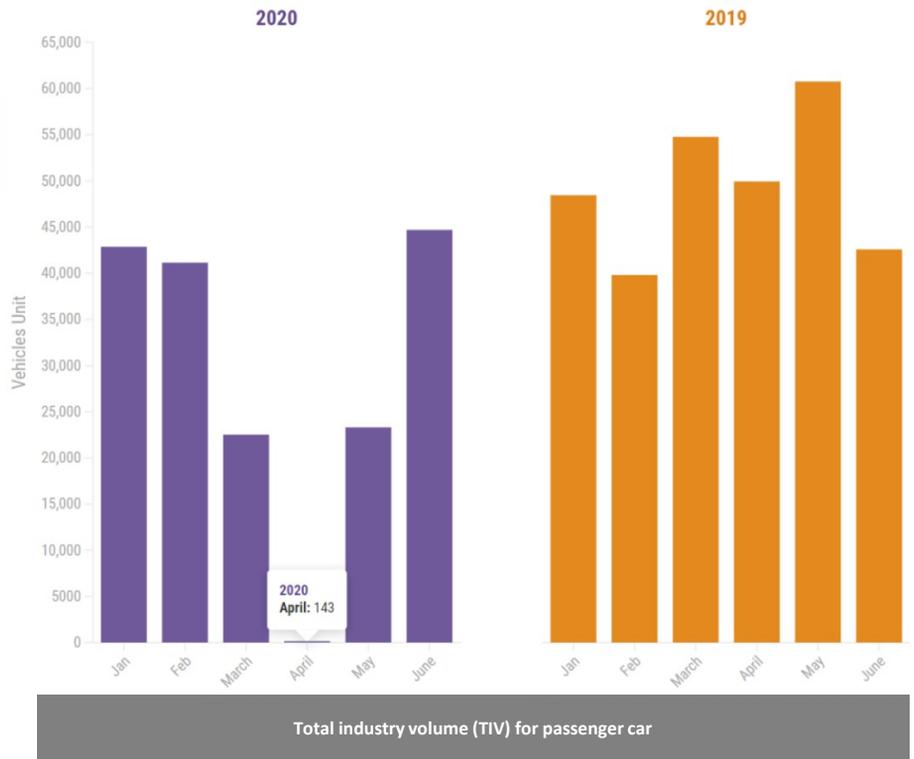
Powered by eBdsk Big Data and Artificial Intelligence

Credit card debt give us a good insight. Credit card debt was not protected by the moratorium, mean the drop in credit card repayment indicate a real financial difficulty for the public in servicing the loan.

As shows, the repayment dropped from the peak of RM13 billion to RM9 billion for April and May.

In term of passenger car purchase, due to the restricted movement order, the car purchase on April 20 fall to only 143.

The 99% reduction bound back to normal level in June, but the diminishing of sales in the month of March to May is enough to temper all the growth for the year.

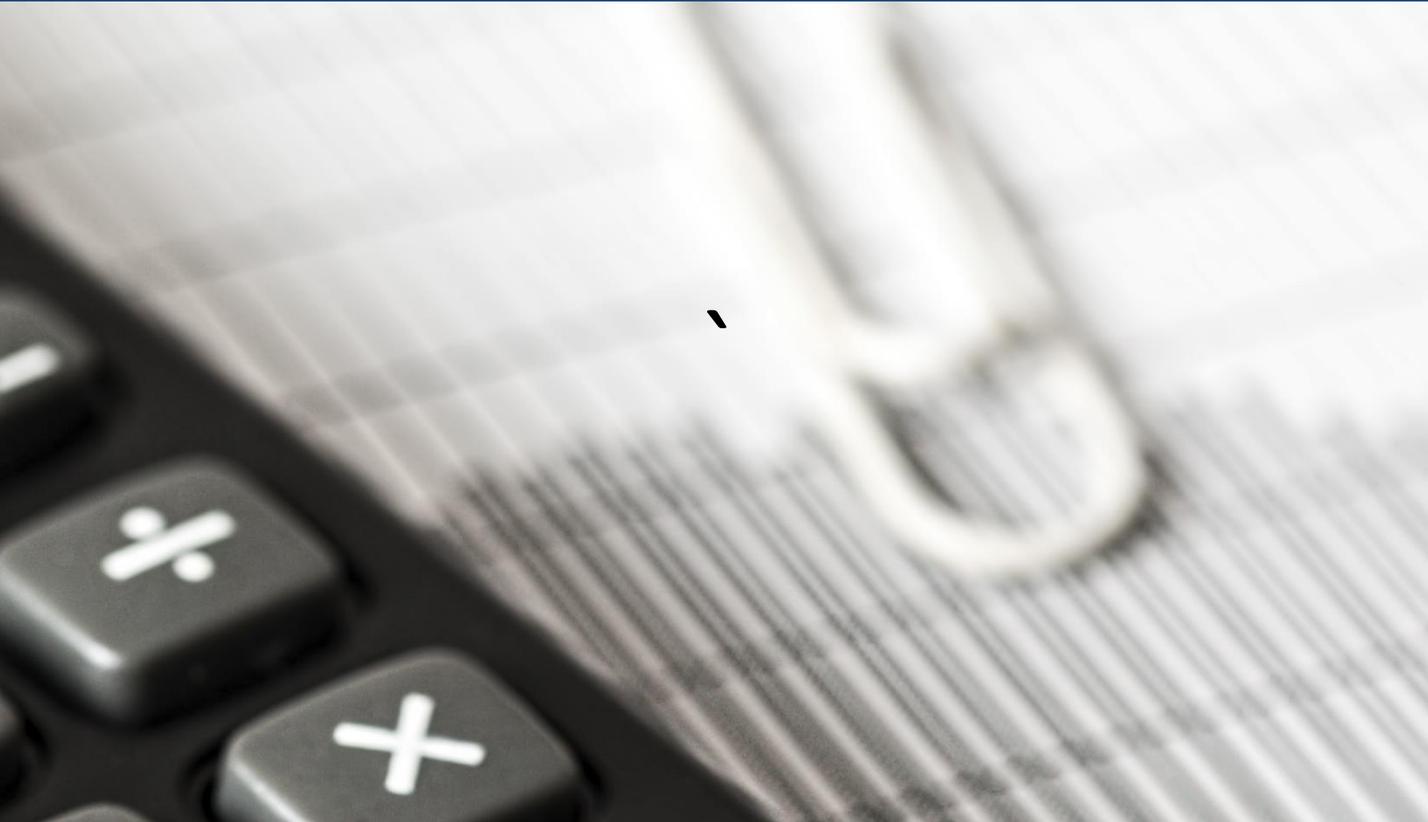


Conclusion

The economy of Malaysia has been heavily impacted by the Covid-19 pandemic, with significant blow in labour force and consumer income. While it will take some time to recover, the immediate effect of the reopening of business is also observable. Despite the spike of unemployment rate, the stimulus package appear to act as countermeasure as the increase has now grow at a slower pace. However, the public financial readiness remain largely unequipped to face another possible MCO and the upcoming end of the loan moratorium will a be a true test for their finances.

The loan moratorium extension announced by the government was not as punitive on banks as the current blanket approach, preventing short-term bad loans from ballooning out of control. Nonetheless, the extension might only postpone the non-performing loans (NPL) formation and the true test will be revealed as the moratorium is fully lifted. If business has resume to normal and the nation economy has managed to rebound, the impact may be well contained.

Malaysia Indicator



We are research-based entity focusing on open source data intelligence. Leveraging on Big Data and Artificial Intelligence, we establish various data storytelling in many context such as price intelligence, social listening, economic intelligence and media monitoring.

www.malaysiaindicator.com



FACEBOOK
[@malaysiaindicator](https://www.facebook.com/malaysiaindicator)



YOUTUBE
[@malaysiaindicator](https://www.youtube.com/malaysiaindicator)