

Covid-19 Impact

ECONOMY OF MALAYSIA

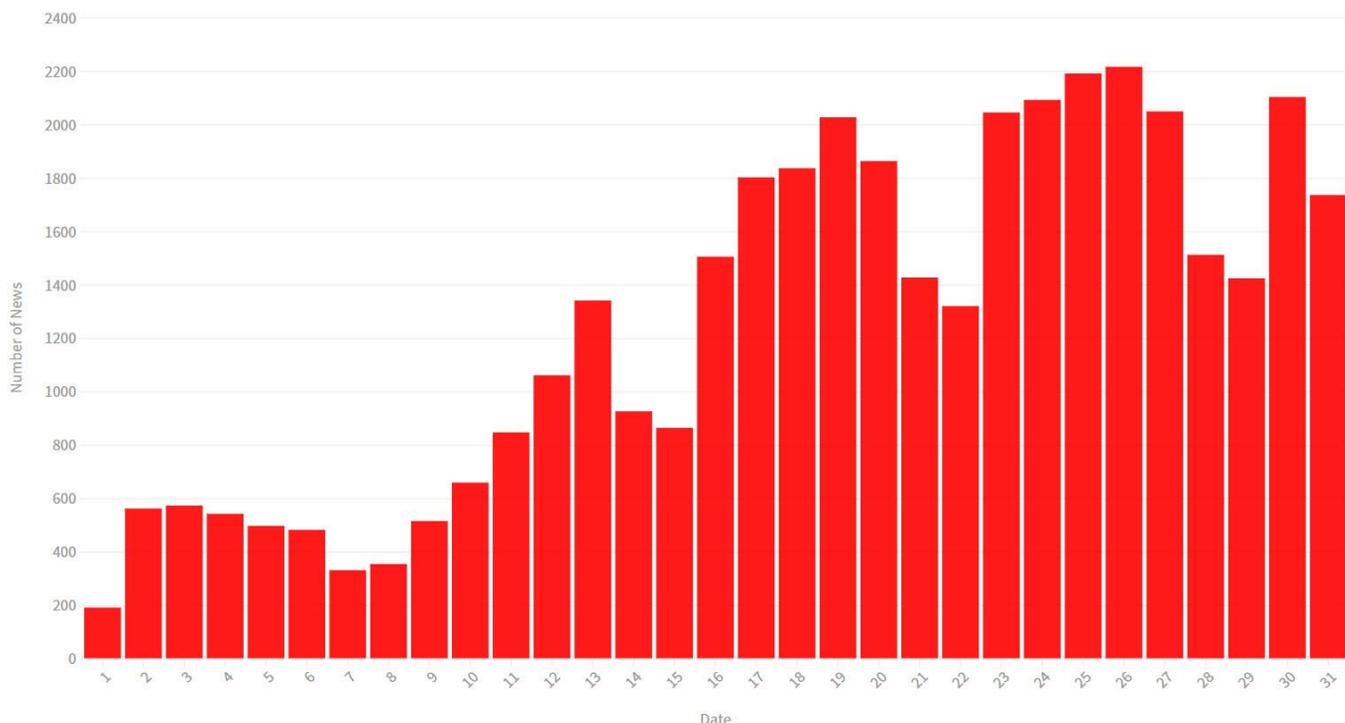
Malaysia Indicator

27th MAY 2020

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Any inquires please reach out to editor@malaysiaindicator.com

MCO and Covid-19

Media Coverage of Covid-19 Pandemic in Malaysia



Malaysia experienced an **increase of Covid-19 outbreak** during early March of 2020. The number of new daily positive case hit double-digits during that period. To curb the pandemic, the Malaysian government announced the **Movement Control Order (MCO)** to prevent the coronavirus from spreading. The practice of self-quarantine and social distancing were conducted during the order.

Prime Minister Tan Sri Muhyiddin Yassin announced the order on March 16, revealing that it would be enacted two days later on March 18. Despite the short notice, panic buying in the country did not occur. Most Malaysians cooperated and abide the MCO as it was enforced.

However, the enforcement of MCO would have its negative impact. The economic activity in the country was momentarily halted as only businesses selling essential goods were allowed to operate during the MCO. The order had also been extended for three times, initially to end on May 12.

Then, it was uncertain when the MCO would be lifted. Business owners were concerned on when they could resume operations. They would have to bare with the operating cost despite not generating any revenue.

Economic Stimulus Package

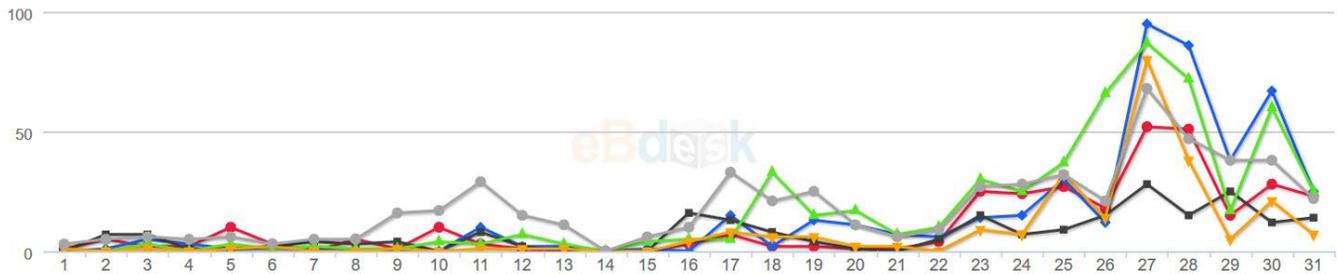
ECONOMIC STIMULUS IMPACT

PRIHATIN - EPF PRIHATIN - SME PRIHATIN - COST OF L PRIHATIN - EMPLOYMEN PRIHATIN - GIG ECONO PRIHATIN - TAX

news statements opinions

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To countermeasure the absence of economic activity, Prime Minister Muhyiddin unveiled the **Prihatin Rakyat** economic stimulus package on March 27. It was worth RM250 billion in total.

Within the Prihatin Rakyat initiative, RM25 billion are direct fiscal injection, primarily comes from the cash distribution of **Bantuan Prihatin Nasional (BPN)**.

Nevertheless, the initiative was deemed to be not business-friendly because of the lack of allocation for business owners. The **small and medium-sized enterprises (SMEs)** in the country raised their concern and urged for assistance from the government on the following days after the Prihatin Rakyat announcement.

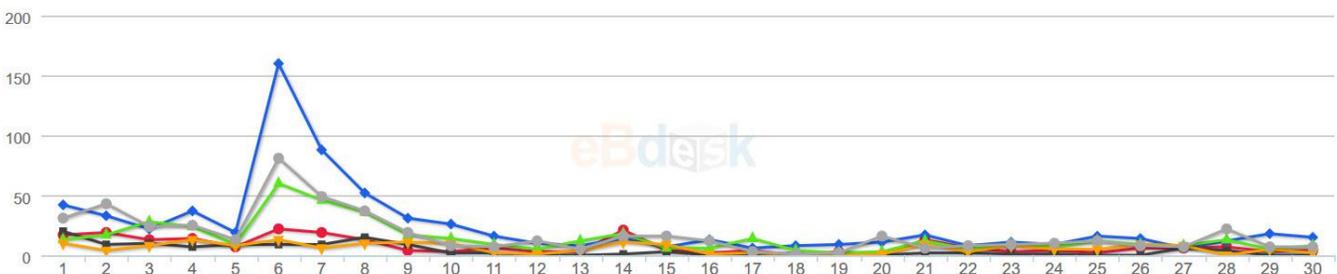
ECONOMIC STIMULUS IMPACT

PRIHATIN - EPF PRIHATIN - SME PRIHATIN - COST OF L PRIHATIN - EMPLOYMEN PRIHATIN - GIG ECONO PRIHATIN - TAX

news statements opinions

△ Apr 2020

bar line area



According to SME Corp, **98.5% of the business establishments** in Malaysia for the year of 2019 were made up of SMEs. Additionally, SMEs provides **5.7 million jobs** or equals to **70% of the workforce** in Malaysia.

Therefore, the sustainability of SMEs amidst the Covid-19 pandemic would affect the unemployment rate in the country. Subsequently, Prime Minister Muhyiddin announced an additional RM10 billion allocation for Prihatin Rakyat which specifically targeted at the SMEs, which is also known as **Prihatin Tambahan**.

The highlight of the additional economic stimulus package is the **salary subsidy**, expanding its inclusivity which allows more employees to be eligible for the initiative.

Not Applying for Salary Subsidy

Application Data for Salary Subsidy under Prihatin Rakyat

	Until 19 April 2020	Until 26 April 2020
Total Employers	159,000	195,000
Total Employees	1 million	1.5 million
Total Subsidies	RM1.2 billion	RM1.35 billion

Source: PERKESO

It was reported that there were roughly **500,000 SMEs registered** under Pertubuhan Keselamatan Sosial (PERKESO). However, **less than half of the amount applied** for the salary subsidy according to the application data by PERKESO.

It could possibly be due to the regulations set for the salary subsidy, employers are **prohibited from firing employees** who receive the subsidy for the next three months. Employers were reluctant to apply for the subsidy as they would prefer the freedom in letting go their employees to reduce their operating cost for business sustainability.

Trouble with Cash Flow

Malaysia Gazette, Apr 13th

70 peratus PKS akan kering tunai selepas April

Keputusan kerajaan untuk memanjangkan Perintah Kawalan Pergerakan (PKP) sehingga 28 April menyebabkan sesetengah perusahaan kecil dan sederhana (PKS) sanggup menolak bantuan kerajaan, tetapi memilih untuk mengurangkan pekerja, malahan menamatkan perniagaan.

Daily Express, Apr 10th

Some bosses have begun asking workers to take unpaid leave

PETALING JAYA: Some employers have begun negotiating with their workers on various options including taking unpaid leave during the movement control order (MCO), says Datuk Michael Kang. The SME Association of Malaysia president,

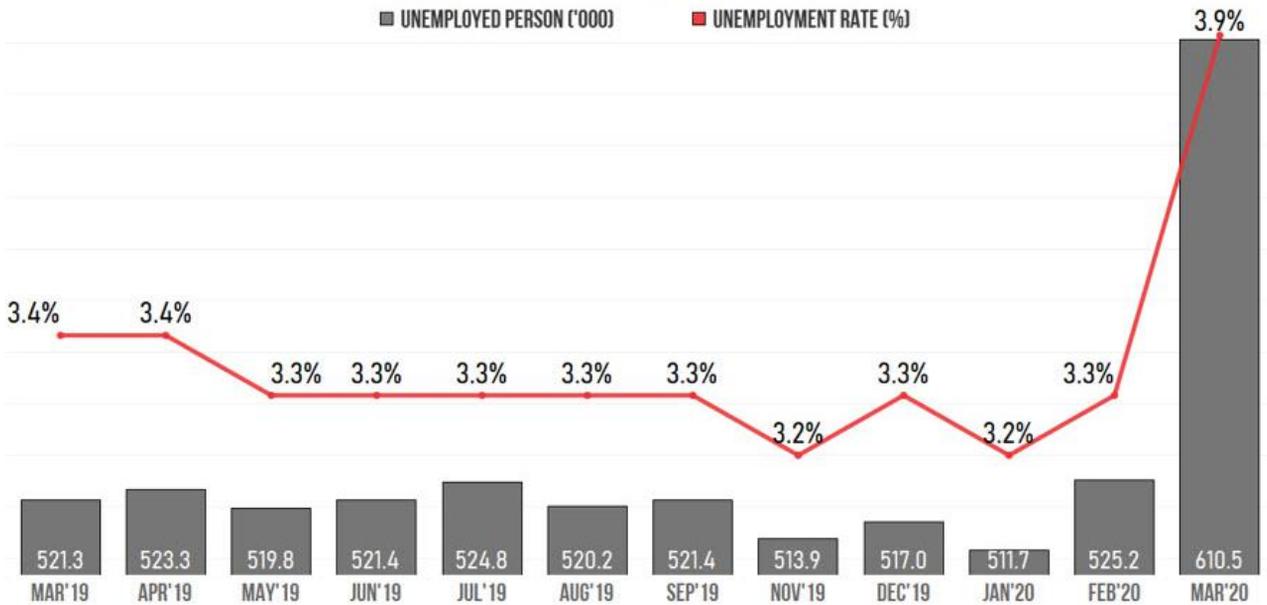
Meanwhile, numerous SMEs were reported to be running out of cash in April. SME Association President Datuk Michael Kang stated that some employers have started to ask its employees to take unpaid leave during the MCO. If employers opted for the salary subsidy, they would not be allowed to ask their employees to take unpaid leave.

The **up to RM1,200 salary subsidy** was reported to be not enough in keeping numerous SMEs in the country running. Majority of them suffered from losses for not being able to make sales, but still have to bare the operating cost.

Unemployment Issue

UNEMPLOYMENT TRENDS IN MALAYSIA 2019 - 2020

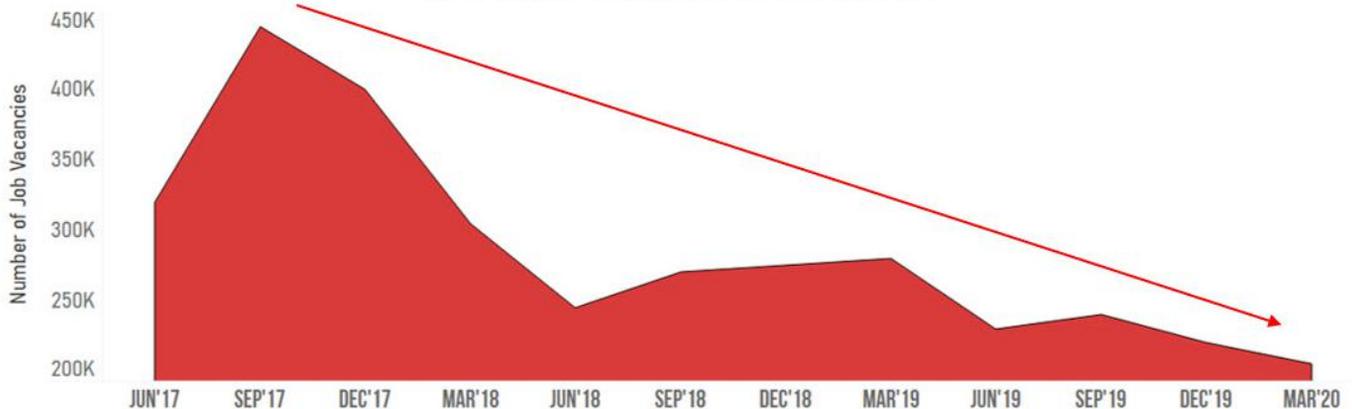
■ UNEMPLOYED PERSON ('000) ■ UNEMPLOYMENT RATE (%)



Source: Department of Statistics Malaysia

The unemployment rate in Malaysia experienced an increase in March 2020, the month when the MCO was first enforced. The unemployment rate was at 3.9%, increased by 0.6% compared to February 2020. In other words, there were over 610,000 unemployed person in the country.

JOB VACANCIES TREND IN MALAYSIA (QUARTERLY)



Source: Department of Statistics Malaysia

On the other hand, the number of job vacancies in Malaysia had been decreasing since the end of 2017. A slight improvement occurred in 2018, but was later dropped again in 2019 and hit its lowest in March 2020. This indicate that the MCO did not only affect the unemployment rate in the country, but also the job availability.

Financial Readiness

COVID-19 EFFECT ON INDIVIDUALS SAVINGS READINESS BY TYPE OF OCCUPATION



Source: Department of Statistics Malaysia

According to a survey conducted by the Department of Statistics Malaysia (DOSM), majority of Malaysians are not financially ready in facing the next economic crisis. **71.4% of self-employed workers** in Malaysia have less than one-month financial saving in their bank accounts. **Almost 50% of the self-employed workers have lost their jobs** during the MCO.

More than half of the private employees also does not have more than one-month saving in their bank accounts. BPN cash distribution would come in handy during this situation, but it might not be enough for the upcoming months.

The Star Online, Apr 9th

MCO: Almost 50% of self-employed Malaysians lost their jobs, survey finds

Almost 50% of self-employed Malaysians have lost their jobs after the movement control order (MCO) was imposed due to the Covid-19 outbreak, according to a survey by the Department of Statistics.

Free Malaysia Today, Apr 9th

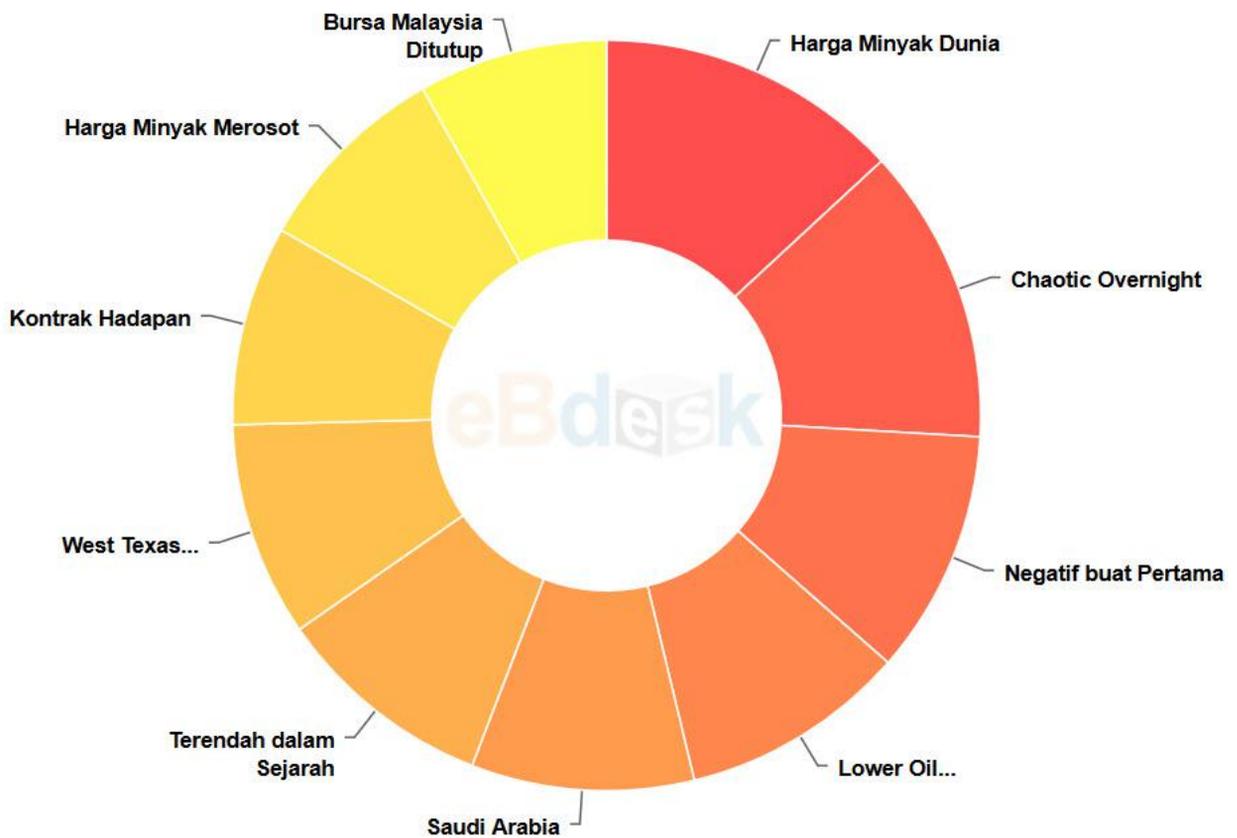
Almost half of self-employed lost jobs during MCO, govt survey finds

A survey by the Statistics Department has found that nearly half of self-employed Malaysians lost their jobs during the ongoing movement control order (MCO) period.

Decline in Crude Oil Price

Top issues

21 – 27 April 2020



TOP ISSUES COVERED
IN THE MEDIA

OIL PRICE

As an oil producing country, Malaysia had also been affected with the drastic decline in international crude oil price. The United States' WTI **crude oil price had dropped to negative** during the late of April 2020.

Domestically, the demand for petroleum had been reduced as Malaysians have been staying at home during the MCO. It would affect the revenue of Petroliaam Nasional Berhad (Petronas) as it is in charge of all the oil and gas resources in the country. It was estimated Petronas could potentially lose RM31 billion in its oil revenue.

Consequently, the Malaysian government would be affected from the revenue decline in one of its biggest government-linked companies (GLC). Eventually, the government would have to limit its spending, reducing its national budget which would disrupt the nation's development.

Low Demand for Palm Oil

Media Share of Palm Oil

News (18 March – 3 May 2020)



Bernama
124 news



The Edge Markets
124 news



Bharian
51 news



My Metro
50 news



The Borneo Post
47 news



Focus Malaysia
46 news



Daily Express
45 news



The Sun Daily
42 news



The Malay Mail Online
41 news



Free Malaysia Today
38 news

Malaysia is also one of the world's largest palm oil producers, coming in at second just behind Indonesia.

The decline in demand for palm oil products have been happening before the Covid-19 pandemic. The **European Union (EU) imposed a ban on palm oil products**, citing its harmful effect on health and environment.

Also, **India ban companies to import palm oil from Malaysia** because then Malaysian Prime Minister Tun Dr. Mahathir Mohamad said the country had invaded Jammu and Kashmir while commenting on the conflict. India is the biggest palm oil importer from Malaysia.

Because of the Covid-19 pandemic, the global demand for palm oil were further declined. The **temporary halt for import and export activities** also contributed to the low demand.

For the production of palm oil, numerous of its plantations, majority in Sabah, were **forced to shut down during the MCO**. Hence, the productivity for the commodity had also been disrupted by the pandemic.

The topic of palm oil was heavily discussed by national news agency Bernama and financial daily The Edge Markets. The high number in news coverage by The Edge Markets indicate that the happenings surrounding palm oil during the MCO were mostly economical issues.

The Malay Mail Online, Apr 30th

Palm oil exports decline 41.7pc over MCO

Exports of palm oil products had declined significantly by 34.8 per cent year-on-year (y-o-y) or 793,257 tonnes to 1.48 million tonnes during the movement control order (MCO) period up to April 14, 2020, from 2.28 tonnes recorded in the same period last year.

The Edge Markets, Apr 30th

Malaysia's palm oil exports plunge 42% in first month of virus curbs

Palm oil exports from Malaysia, the world's second largest palm producer, plunged 41.7% during the first month of a partial lockdown to contain the coronavirus, its plantation industries and commodities minister said on Thursday.

Potential Reduction in FDI

Malaysia is known for exporting chips for its electrical and electronic (E&E) sector, and Japan is one of the biggest importers of the product.

The good relationship between the two countries led to Japan injecting a large sum of foreign direct investment (FDI) into Malaysia.

Unfortunately, Japan is one of the Asian countries with the highest Covid-19 cases recorded. Therefore, **Japan would potentially cut its budget for its FDI in Malaysia in order to control its expenditure.**

Earlier in April, **the E&E sector in Malaysia was reported to be the most approved investment for the year 2019.** The domestic direct investment accounted for 60.4% (RM125.5 billion), while the Foreign Direct Investment (FDI) made up for 39.6% (RM82.4 billion) of the total.

Due to the Covid-19 pandemic, the **disruption in manufacturing production occurred along with the decline in demand.** Such factors would make investors to lose confidence in the sector.

Subsequently, investors would play it safe by reducing the amount spend in investing in this sector. Thus, the amount of FDI in Malaysia would also be reduced.

Influencers of Foreign Investment

News

(18 March – 3 May 2020)



Mohamed Azmin Ali
118 statements



Mustapa Mohamed
86 statements



Sufian Jusoh
83 statements



Mohd Afzanizam Abdul...
59 statements



Arthur Joseph Kurup
58 statements



Smita Kuriakose
54 statements



Muhyiddin Yassin
51 statements



Muhammad Azmi Zulkifli
45 statements



Zafrul Aziz
42 statements



Mohd Uzir Mahidin
34 statements

walaupun pandemik COVID-19 telah mengubah sistem perindustrian global, MITI komited untuk memastikan agar Malaysia terus kekal sebagai lokasi yang mesra...

Mohamed Azmin Ali

Apr 21st · Astro Awani



"Pelaburan langsung asing (FDI) adalah aliran modal jangka panjang. Kami percaya syarikat asing yang sedia ada akan terus bertahan dengan cabaran ini dan..."

Mohamed Azmin Ali

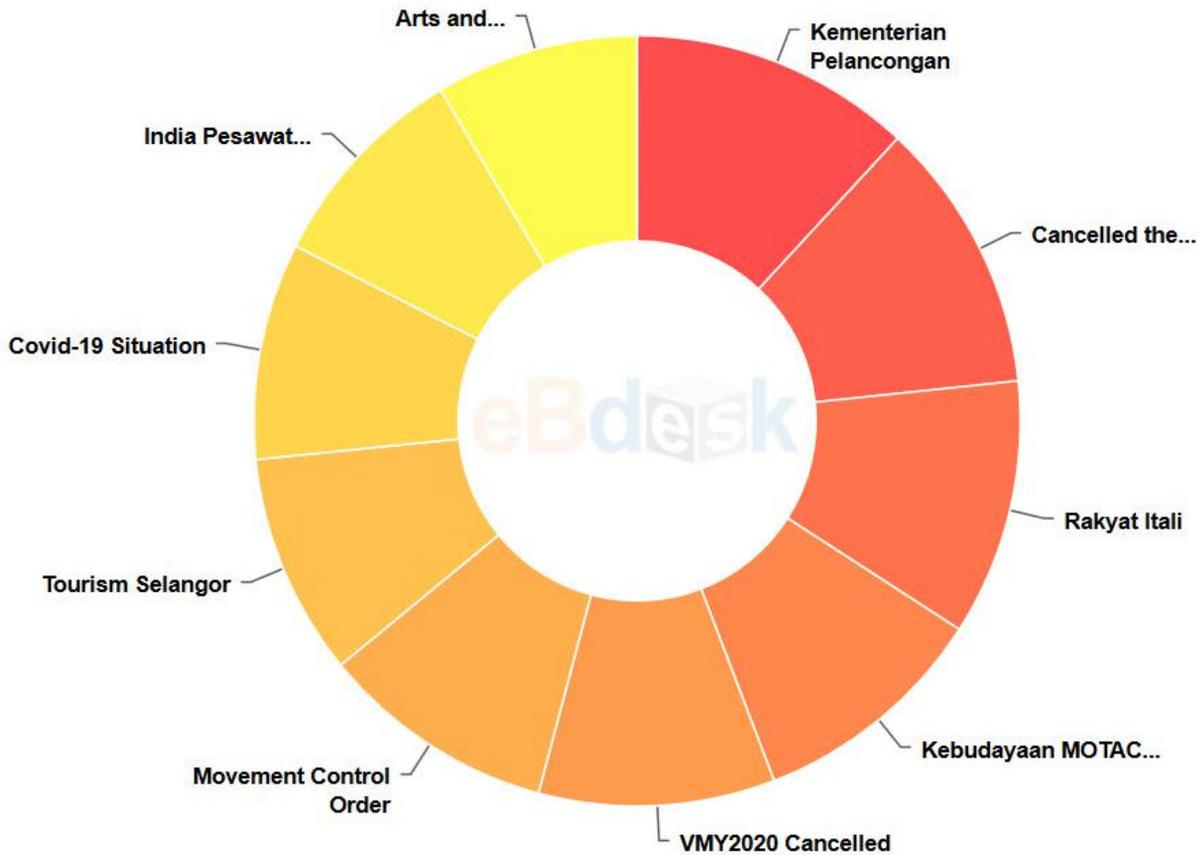
Apr 21st · Astro Awani



Travelling Restriction

Top issues

18 – 24 March 2020



TOP ISSUES COVERED
IN THE MEDIA

TOURISM

The airlines industry have also been heavily affected from the pandemic. Travelling in and out of the country has been temporarily prohibited because of the MCO. As the order commenced, the Tourism Ministry announced that the **Visit Malaysia 2020 campaign has been cancelled**.

Numerous hotels have been temporarily shutdown as it is not viable to operate during the pandemic. Subsequently, **hotel staff have also been laid-off**. For example, Park Royal Hotel has been shut down for 15 months, using this time for renovation work. Voluntary Separation Scheme (VSS) was offered to its employees.

Malaysian Association of Hotels (MAH) revealed that **15% of the hotels in the country may have to cease from operation** due to the health crisis. It was reported that the closure was primarily due to being close to oversupply in the market.

New Normal

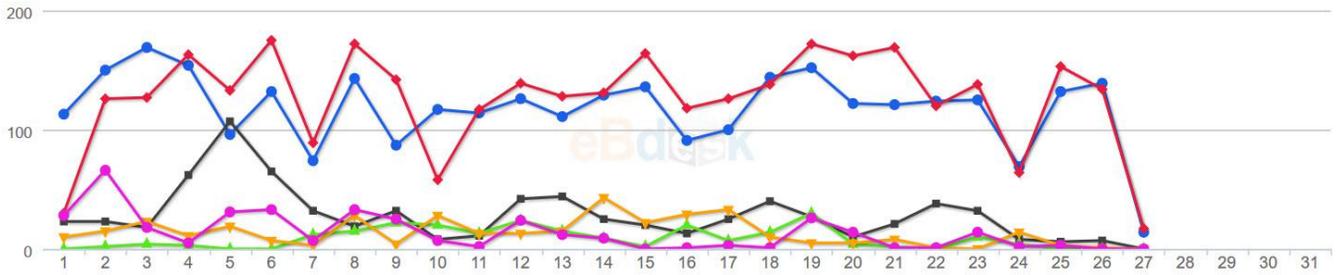
COVID INFLUENCER

Noor Hisham Abdullah | Ismail Sabri | Azmin Ali | Radzi Jidin | Annuar Musa | Zafrul Aziz

news | statements | opinions

△ May 2020

bar | line | area



Then, on May 1, Prime Minister Tan Sri Muhyiddin Yassin made the sudden announcement that the country would proceed with the next phase of MCO, known as Conditional Movement Control Order (CMCO), starting from May 4.

The reason for the sudden change is to recover the nation's economy after a long halt. More economic sectors have been allowed to operate during the CMCO. The Prime Minister stated that the country has been losing RM2.4 billion daily during the MCO period, or up to RM63 billion throughout the MCO period.

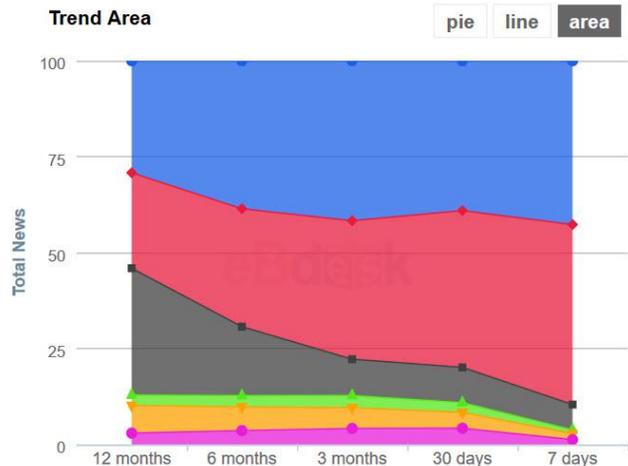
According to the trend of Covid-19 influencers, the media exposure of Health director-general Datuk Seri Dr. Noor Hisham Abdullah had declined. Whereas, Defence Minister Datuk Seri Ismail Sabri Yaakob's presence on the media had increased. This indicated that the media's focus on Covid-19 had shifted from the health perspective to the CMCO.

NEWS SHARE OF VOICE

Topic	12 months	6 months	3 months	30 days	7 days
Noor Hisham Abdullah	12,911	12,352	11,093	3,679	724
Ismail Sabri	10,996	9,837	9,595	3,848	795
Azmin Ali	14,613	5,750	2,516	866	112
Radzi Jidin	1,201	938	838	238	16
Annuar Musa	3,187	1,980	1,447	390	27
Zafrul Aziz	1,297	1,150	1,103	396	21
Total	44,205	32,007	26,592	9,417	1,695

Topic	12 months	6 months	3 months	30 days	7 days
Noor Hisham Abdullah	29.21%	38.59%	41.72%	39.07%	42.71%
Ismail Sabri	24.88%	30.73%	36.08%	40.86%	46.9%
Azmin Ali	33.06%	17.96%	9.46%	9.2%	6.61%
Radzi Jidin	2.72%	2.93%	3.15%	2.53%	0.94%
Annuar Musa	7.21%	6.19%	5.44%	4.14%	1.59%
Zafrul Aziz	2.93%	3.59%	4.15%	4.21%	1.24%
Total	100%	100%	100%	100%	100%

Trend Area



During CMCO, Malaysians have to adhere with the SOP set by the government such as social distancing and practice of self hygiene. This would be the new normal for Malaysia in the upcoming months.

Businesses would slowly recover from the enactment of CMCO. SOP such as limiting the number of shoppers and signing up before entering a business premise could be troublesome and time-consuming. In addition, dine-in has been allowed in restaurants, but people are still wary about the pandemic. Consequently, potential loss in customers would happen because of the new normal.

Political Uncertainty



Last but not least, Malaysia is also going through political uncertainty on top of the Covid-19 pandemic. Prior to the MCO, the 2020 Malaysian political crisis happened, leading to a change in government. PPBM left Pakatan Harapan and formed a new alliance with the former government, Barisan Nasional along with PAS. The current Perikatan Nasional government was established.

Former Prime Minister Tun Dr. Mahathir Mohamad had filed a no-confidence motion towards the current Prime Minister Tan Sri Muhyiddin Yassin. The request had been approved by the Speaker of Dewan Rakyat, Tan Sri Mohamad Ariff. Due to the ongoing pandemic, the motion has been temporarily postponed.

The fate of the Perikatan Nasional government remains uncertain. Ultimately, investors would become extra cautious in their spending, leading to the potential investment decline in the country.

Conclusion

The economy of Malaysia has been heavily impacted by the Covid-19 pandemic. Businesses were forced to shut down because of the MCO, hence economic activity in the country has been disrupted.

Similar occurrences are also happening in other countries with their respective lockdowns, potentially leading to the decline in Malaysia's FDI. Meanwhile, Malaysia's economy would take some time to recover as Malaysians have to adhere with the new normal.

Prior to the pandemic, the country has also been facing with other issues that would potentially affect its economy. For example, the EU ban on palm oil and the government instability due to the political crisis.

Overall, the economy outlook for Malaysia has been worrying because of the Covid-19 pandemic. Meanwhile, most Malaysians are not prepared to face another financial crisis. The next recession in the country could be worse than the global financial crisis in 2008.

Malaysia Indicator



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