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South - South Integration and the SDGs:
Enhancing Structural Transformation in Key Partner Countries of the Belt and Road Initiative

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The Malaysian Economy and COVID-19: Policies and Responses from January 2020 – April 2021

Abstract

This paper examines the predicted short- to medium-term growth scenario in Malaysia prior to the onset of the pandemic, and how the pandemic altered these predictions particularly in terms of trade, industrial growth, macroeconomic and financial conditions. It then looks at the most affected sectors, the main policy actions taken by Malaysia to address these challenges, and their impacts (based on available data). The study closes with some reflections on lessons that other developing countries can draw from Malaysia's policy responses. It finds that lockdowns while initially effective became economically punishing when repeated in the absence of improvements in tracking and tracing and slow to limited adoption of scientific knowledge in the formulation of policy. Political instability destroyed some of the gains of an initial successful lockdown as elections drove up cases. Stimulus packages had some positive impacts that were limited by fiscal constraints, policy orthodoxy and inefficiencies in disbursement. Overoptimistic assumptions about the nature of the pandemic led to a piecemeal string of stimulus packages. Policy innovation produced negative welfare effects by allowing a drawdown of retirement savings for cash aid, but policy innovation was also used to finance a national vaccination programme from a little-used sovereign wealth fund.

Key words: **Agriculture, COVID-19, Crisis, Fiscal Policy, Growth, Income Inequality, International Trade, Lockdowns, Manufacturing, Pandemic, Political Stability, Public Health, Science, SMEs, Sovereign Wealth Funds, Tourism.**

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Introduction

The COVID-19 pandemic is not over. Not for Malaysia, not for the world. As this introduction is being written only 57 countries have vaccinated 70% of their population (United Nations, 2022). Malaysia is one of those. This research paper analyses the economic and policy situation in Malaysia from January 2020, when COVID-19 first emerged in the country, until April 2021, when both vaccination rates and deaths began to race neck and neck with the fourth wave of the virus. It thus covers what might be called 'Episode One' of Malaysia's pandemic saga. Episode Two, the race between vaccinations and death amidst political instability, is left for another study.

This paper looks at the predicted short- to medium-term growth scenario in Malaysia prior to the onset of the pandemic, and how the pandemic altered these predictions particularly in terms of trade, industrial growth, macroeconomic and financial conditions. It then looks at the most affected sectors, the main policy actions taken by Malaysia to address these challenges, and their impacts (based on available data). The study closes with some reflections on lessons that other developing countries can draw from Malaysia's policy responses.

Malaysia in 2020-2021 perhaps represents an exceptional case in that its pandemic response emerged from a trifecta of a public health crisis, economic crisis, and a political crisis. However, it offers lessons about governance, the execution of lockdowns and the challenges of strengthening other non-pharmaceutical interventions (such as tracking and tracing) even for middling-income developing countries, as well as the timing, efficiency, and scope of economic welfare policies amidst a crisis, not to mention longer term effects in the case of the drawdown of private pensions for immediate cash aid. However, policy innovation in the usage of sovereign wealth funds allowed Malaysia to fund the entirety of its national vaccination programme and a round of boosters. Political instability in most cases exacerbated the impacts of the pandemic. Overconfidence (alternately, lack of knowledge) about the nature of the pandemic led the government to underestimate the extent and duration of policy support required, leading to piecemeal announcement of stimulus packages. In spite of these challenges, the pandemic tiger appears tamed as much as it can be tamed by mid-2022 in Malaysia. However, no tiger can be ridden without drawing its fair share of blood, nor can one be complacent atop such a creature.

In looking back with a critical eye, the authors have tried to avoid judging the recent past too harshly from the condescension of the rapidly changing present. Nonetheless, with the pandemic ongoing and others to come, looking backward for lessons can be a fruitful process, not only to remind ourselves how much has changed since the pandemic began, but also how economies and governments respond to crisis at the start of this critical decade where humanity has to grapple with the climate crisis amidst intranational and international inequalities. How governments internalise science and produce robust and equitable policies based upon it will affect the future course of this pandemic, future pandemics, and the climate crisis. Likewise, inequitable access to technologies and finance may well define the crises that bookend the 2020s.

How effective policies are formulated and implemented to support an inclusive recovery is an ongoing story that is perhaps Episode Three of the pandemic story that opened this decade. Meanwhile, we begin with the beginning.

1. Malaysia's Initial Economic Predictions and COVID 19-Shifted Perspectives

1.1 Malaysia's Initial 2020 Economic Outlook

1.1.1 Initial Macroeconomic Projections

In late 2019, there was confidence that the Malaysian economic outlook would remain resilient. The Malaysian Ministry of Finance (MOF) predicted that household spending, which accounted for 58% of GDP, would continue to spearhead domestic demand (MOF, 2020). Pre-COVID-19, the MOF forecasted that 2020 GDP would grow by 4.8% supported by a stable labour market, benign inflation, increased employment, and a rise in the minimum wage (MOF, 2020).

Private investment was expected to gain traction in 2020 following planned resumption of infrastructure projects and capital spending in the services and manufacturing sectors (MOF, 2020). Meanwhile, a 'Visit Malaysia 2020' campaign targeted 30 million tourists and RM100 billion (USD23.8 billion[1]) in tourist receipts – especially inbound tourists from China and Singapore.

On the supply side, both the manufacturing and services sector were expected to expand and continue to be the main contributors to Malaysia's 2020 economic growth. The service sector, which accounted for over half of the country's GDP in 2019, at 58%, was projected to expand by 6.2% with most of its subsectors projected to grow with the same momentum.

Table 1. GDP by Sector in 2018-2019, and 2020's GDP Projections

	Sector Share to GDP in 2019 (%)	Annual Percentage Change		
		2018	2019	2020P
Services	57.5	6.9	6.2	*6.2*
Manufacturing	22.2	5.0	3.8	*4.1*
Mining	7.3	-2.2	-0.6	*0.3*
Agriculture	7.3	0.1	1.9	*3.4*
Construction	4.7	4.2	0.4	*3.7*
GDP	100.0	4.8	4.4	*4.8*

P: projection

Source: Ministry of Finance, 2020

Some notable projected expansions among service subsectors included: (i) an expected growth of 7.0% in the wholesale and retail trade, supported by tourism-related activities and accelerating e-commerce; (ii) 8.9% growth in the food, beverage, and accommodation sector on top of strong 9.2% growth in 2019; as well as, (iii) a 6.9% growth in the information and communication sector following the introduction of the fifth-

[1] Currency exchange rate is based on the 2020 average where RM1.00 = $0.238.

generation cellular network (5G) and various government initiatives under the National Fiberisation and Connectivity Plan (MOF, 2020).

Table 2. Services Sector Performance in 2018-2019 and 2020's Forecast

	Share to Services in 2019 (%)	Annual Percentage Change 2018	2019	2020P
Wholesale and Retail Trade	29.6	8.1	6.8	*7.0*
Finance and Insurance	11.4	5.7	4.8	*5.1*
Information and Communication	10.3	8.3	6.7	*6.9*
Real Estate and Business Services	8.4	7.6	7.6	*7.8*
Transport and Storage	6.5	6.4	6.5	*6.4*
Food & Beverage and Accommodation	6.1	8.9	9.2	*8.9*
Utilities	4.6	4.9	5.6	*4.4*
Other Services	8.6	5.5	5.3	*5.1*
Government Services	14.5	4.5	4.0	*4.0*
Services	100	6.8	6.1	*6.2*

P: projection
Source: Ministry of Finance, 2020

Meanwhile, the manufacturing sector was predicted to expand by a modest 4.1% driven by steady improvements in export-oriented industries alongside sustained expansion within domestic-oriented industries. The electrical and electronics sector, which constituted 40.8% of all export-oriented industries in 2019, was expected by the MOF to grow moderately by 3.6% given the downturn in the semiconductor cycle as well as the escalating US-China trade and technology disputes (MOF, 2020). Meanwhile, 5G and electric vehicles, as well as expanding demand for artificial intelligence (AI), internet of things (IoT), and big data analytics (BDA) were expected to contribute greatly to the growth of the semiconductor industry (MOF, 2020). The production of petro- and oleochemicals was also projected to increase, driven by both consumer- and construction-related clusters (MOF, 2020).

Agriculture and mining sectors were also projected to grow in 2020. Agriculture is expected to expand due to higher production of crude palm oil and natural rubber, while mining is expected to increase with an increase in natural gas production (MOF, 2020). Meanwhile, planned increase in activities in civil engineering is then anticipated to increase the construction sector by 3.7% (MOF, 2020)

1.1.2 Pre-Pandemic Government Revenue Forecast for 2020

The government forecasted a favourable standing of its national accounts in 2020. Indirect tax collection was anticipated to increase by 6.5%, with the Sales and Services Tax (SST) expected to register RM28.3 billion (USD6.74 billion) in consonance with higher consumption. Out of that, sales tax was projected to rise by 5.4% - driven mainly by the sales of machines, spare parts, and vehicles (MOF, 2020). The services portion of the SST was expected to bring in RM12 billion (USD2.86 billion) largely due to higher household and tourist demand in the food and beverage sector, followed by telecommunications and insurance. Excise duties were expected to increase by 4.9% to RM11 billion (USD2.62 billion) due to higher demand for motor vehicles (MOF, 2020).

For non-tax government revenue, Malaysia expected to register RM50.5 billion (USD12.03 billion) in petroleum-related revenue in 2020, a decrease from RM81.2 billion (USD19.3 billion) in 2019, which compromised 30.7% of total government revenue or 5.6% of GDP that year.

Table 3. Federal Government Revenue for 2018-2019 and 2020's Projection

	RM 'billion			Annual Percentage Change		
	2018	2019	2020P	2018	2019	2020P
Tax Revenue	**174.1**	**180.0**	***189.9***	**-2.0**	**3.4**	***5.5***
Direct Tax	130.0	135.6	*142.7*	12.1	4.3	*5.2*
CITA	66.5	70.8	*75.5*	3.1	6.4	*6.7*
Individual	32.6	35.2	*37.3*	12.6	8.0	*6.1*
PITA	20.0	17.9	*17.5*	70.7	-10.9	*-2.4*
Indirect Tax	44.0	44.4	*47.3*	-28.6	0.8	*6.5*
GST / SST	25.7	26.8	*28.3*	-42.0	4.4	*5.6*
Excise Duties	10.8	10.5	*11.0*	6.6	-2.7	*4.9*
Import Duty	2.9	2.7	*2.8*	4.1	-7.8	*4.9*
Export Duty	1.7	1.3	*1.3*	27.3	-25.8	*1.6*
Non-Tax Revenue	**58.8**	**83.3**	***54.6***	**37.6**	**41.6**	***-34.5***
License and Permits	14.0	15.2	*15.2*	9.8	8.4	*-0.2*
Investment Income	31.9	59.5	*28.6*	47.4	86.6	*-52.0*
Total Revenue	**232.9**	**263.3**	***244.5***	**5.7**	**13.1**	***-7.1***
Share of GDP (%)	**16.1**	**17.4**	***15.2***			

P: Projection

Source: Ministry of Finance, 2020

Meanwhile non-petroleum revenue was forecasted to increase by 6.6% to RM194.1 billion (USD46.23 billion) as the government was committed to diversify their revenue through tax reform initiatives (MOF, 2020). The Finance Ministry targeted petroleum-related revenue to decline to 20.7% (from 30.7%) and for non-petroleum contributions to rise to 79.3% of total revenue (MOF, 2020).

1.1.3 Monetary and Financial Conditions

At the end of 2019, Malaysia's monetary and financial conditions were expected to remain accommodative and supportive of economic growth while the banking sector was forecasted to remain robust and orderly, driven by ample liquidity and strong capital buffers (MOF 2020). Malaysia's Overnight Policy Rate (OPR) was reduced by 25 points since January 2018, which in turn lowered banking interest rates. Household debt levels - which was at 82.2% at end of June 2019 - were projected to remain manageable in 2020, supported by strong household financial assets, at RM2,627.6 billion (USD625.89 billion), and intact debt servicing capacity (MOF, 2020).

The Ministry of Finance claimed that due to strong economic fundamentals, the Malaysian economy was expected to remain resilient in 2020 despite global economic uncertainties, which they presumed to arise mainly from moderating global growth and trade activities, volatility in the financial and commodity markets, as well as trade disputes between the United States and China (MOF, 2020). However, the arrival of the COVID-19 pandemic and its unprecedented changes quickly challenged this narrative.

1.2 Malaysia's Experience with the Pandemic

2020 predictions rapidly dated once COVID-19 settled on Malaysian shores. Following the first case reported on 25th January 2020, numbers quickly rose to an average of 1700 daily cases by the end of March. On 18th March, Malaysian authorities declared a two-week Movement Control Order (MCO), shutting down business and services deemed non-essential, cancelling public events and gatherings, and limiting inter- and intrastate travel. The MCO would later be extended until the 3rd of May, resulting in the first lockdown (later dubbed MCO 1.0) being 47 days long.

Malaysia entered its first lockdown under exceptional conditions. On 24 February 2020, the 20-month-old *Pakatan Harapan* (PH, Alliance of Hope) coalition government had collapsed amidst internal rivalries. Pakatan Harapan had in the 2018 General Elections defeated the longstanding *Barisan Nasional* (BN, National Front) coalition that, in one form or another, had ruled Malaysia for six decades.

Disagreements over leadership succession and internal rivalries within PH led some members to seek an alliance with BN. A political crossover followed a gathering at the Sheraton Hotel on 23 February 2020 – the "Sheraton Move" – which precipitated Prime Minister Mahathir Mohamed's resignation the day after and the dissolution of the PH government (though he would act as interim PM until a new Prime Minister was determined).

There followed a tumultuous week of political manoeuvring which resulted in one-time Deputy Prime Minister Muhyiddin Yassin splitting from PH and assembling a thin Parliamentary majority in a new alliance with components of the former ruling BN coalition (including disgraced former Prime Minister Najib Razak who had been tainted by the 1MDB financial scandal) and the Pan-Malaysian Islamic Party (PAS). By 29 February 2020, Muhyiddin had been appointed the eighth Prime Minister of Malaysia heading the *Perikatan Nasional* (PN, National Alliance) coalition. His Cabinet was sworn in on 10 March 2020. Six days later Muhyiddin announced that a 14-day MCO was set to commence on 18 March 2020 to curb the spread of COVID-19.

The Malaysian policy response to COVID-19 thus emerged amidst the triple pressures of political transition, public health challenges, and economic shocks.

Table 4. Summary of COVID-Related Events in Malaysia

Date		Malaysia Events (2020)
January	25-Jan	First three COVID-19 cases reported in Malaysia
	27-Jan	Government erects ban on travellers from Hubei, China
	31-Jan	WHO declares COVID-19 a global health emergency
February	9-Feb	Ban on travellers from Jiangsu and Zhejiang, China
	27-Feb	**First fiscal stimulus package of RM 6 billion approved**
March	3-Mar	Bank Negara Malaysia (BNM) lowered the overnight policy rate (OPR) to 2.50%
	5-Mar	Malaysia expanded full restriction on foreign nationals directly from Lombardy, Veneto, & Emilia-Romagna in Italy, Hokkaido, Japan, and Tehran, Qom, & Gian in Iran

	11-Mar	Tabligh cluster first detected and infected a total of 3,375 individuals who attended the four-day tabligh gathering held at the Seri Petaling Mosque. (Nation’s largest Covid-19 cluster at the time)
		Announcement on full restriction of foreign nationals directly from Italy, Iran, South Korea starting 13th March
	12-Mar	COVID declared as a pandemic by WHO
		First COVID-19 sporadic case reported in Malaysia
	13-Mar	Tabung Haji COVID-19 Aid, RM 100/day
	14-Mar	Malysia includes Denmark on travel ban list
	16-Mar	Government announces electricity discounts and temporary pay leave, totalling RM 620 million
		PM announces the Movement Control Order (MCO) which would begin 18 March and scheduled to end on 31st March
	17-Mar	Malaysia's first death due to COVID-19
	18-Mar	MCO begins
		tourist and foreign visitors are restricted to enter the country
		closure of all kindergartens, government & private schools
		closure of all IPTs and skill training institutes
		closure of all non-essential gov & private premises
	20-Mar	BNM lowered the Statutory Reserve Requirement (SRR) ratio by 100 basis points to 2%
	22-Mar	COVID-19 deaths reach double digit in Malaysia
	23-Mar	Government announced that beginning 1st April Malaysians under the age of 55 years can withdraw from their EPF Account 2 funds
		Security Commission (SC) Malaysia and Bursa Malaysia suspended short selling until April 28
		SC waived annual licensing fees for capital market licensed entities
		Government allocates RM 600 million to the Malaysian Ministry of Health to battle COVID-19
		RM 130 million allocated for all 13 state governments to tackle issues related to COVID 19
		PTPTN loan repayment postponed till 30th September 2020
	24-Mar	BNM offers a moratorium / postponement of payment for all bank loans except for cc debts
	25-Mar	PM announced that that the MCO is extended to 14th April with stricter regulations
		BNM announced temporary easing of regulatory and supervisory compliance on banks as well as relief measures for insurance policy holders
	27-Mar	Enhanced Movement Control Order (EMCO) begins in specific locations
		RM 250 billion PRIHATIN package was announced
		Government released the second stimulus package of RM 25 billion as part of PRIHATIN
		Government set up a RM 50 billion fund for working capital loan guarantees for all COVID-19 affected businesses, also under PRIHATIN
		BNM increases financing facilities by RM 4 billion to RM 13.1 billion

		PM announced an additional allocation of RM 1 billion of the MoH to cater for medical needs
		Conventional and Islamic insurance sectors set up a RM 8 million fund for COVID-19 testing
April	1-Apr	EMCO is implemented nationwide
		All domestic electricity users will enjoy a 2 per cent discount for their electricity bills until 30 September 2020
		Gov increased healthcare employees' monthly allowance from RM 400 to RM 600 (under PRIHATIN)
	3-Apr	All those who enter Malaysia are subjected to a mandatory 14-day quarantine
	6-Apr	**RM 10 billion PRIHATIN SME+ announced, supplementing PRIHATIN and SME allocation**
	10-Apr	Companies Commission of Malaysia announced measures to enhance protections of distressed companies against liquidation
		EMCO announced to be extended until 28 April
	15-Apr	Minister of Education announced that UPSR and PT3 is cancelled for 2020
		SPM, SVM & STAM is postponed to 2021
		STPM (Semester 2) postponed to August 2020 & STPM (Semester 3) postponed to 2021
	16-Apr	SC announced regulatory relief measures for public listed companies
	23-Apr	MCO announced to be extended until 12 May
	28-Apr	Short-selling suspension by SC and the Bursa is extended through 30th June
		COVID-19 deaths reach 100 in Malaysia
May	1-May	Conditional movement control order (CMCO) announced to begin on 4 May and in effect until 9 June
	4-May	CMCO begins
	5-May	BNM lowered the overnight policy rate (OPR) again, now to 2.00%
	10-May	CMCO extend to from 12 May until 9th June
June	1-Jun	Those entering Malaysia must agree to pay the cost of mandatory quarantine
	4-Jun	New COVID-19 cases jumped to 277.From that, 270 of the cases are found among detained foreign nationals in an immigration detention centre
	5-Jun	**Government announced the RM 35 billion PENJANA package**
		Out of that, RM 21 billion was a fiscal injection
		BNM announces to help business financing by both private sector and public banks worth about RM 6 billion, as part of PENJANA
	7-Jun	PM announced CMCO would end on 9 June and to begin with the recovery movement control order (RMCO) on 10 June
	10-Jun	RMCO begins and is planned to be in phase until 31 August
		Minister of Education announced that Malaysia is to reopen schools in stages beginning June 24
		Passengers entering Malaysia now would be able to undergo a 14-day home quarantine
	23-Jun	Ministry of Education announced that both mid-term and end of year school holidays are to be shortened, totalling a 168-day academic year

	24-Jun	Schools open for those who are taking their leaving examinations (SPM, STPM, SVM, STAM)
	26-Jun	Sectors under the Ministry of Tourism, Arts, and Culture would be allowed to operate beginning 1 July with proper social distancing measures
	28-Jun	MOE announced the rescheduled dates of major examinations: SPM (6 Jan 2021 to 9 Feb 2021), STPM 2nd semester (12 Aug 2020 -18 Aug 2020), STPM 3rd semester (1 March 2021-9 March 2021), STPM 1st semester (22 Feb 2021-25 Feb 2021), STAM (17 Feb 2021-25 Feb 2021), SVM session 1 (3 Aug -14 Aug 2020 and 28 Sept - 9 Oct 2020), SVM session 2 (18 Jan -29 Jan 2021 and 17 May - 28 May 2021)
	29-Jun	Govt agrees to three-month loan moratorium extension, but only for the jobless
		Both government and private pre-school, kindergarten, nurseries, and day-care centres would resume operation on the 1st of July
July	1-Jul	MOE announced that phase 2 of school reopening, involving Form 6 Sem 1, Form 1-4, and Year 5&6 students would start on July 15
		The third phase of school reopening (for Year 1-4) will start on July 22
		Malaysia recorded zero cases of local transmissions of Covid-19 for the first time since March
	3-Jul	Minister of Health announced that Malaysian citizens and foreign nationals arriving in Malaysia would have to pay for the COVID-19 testing
	8-Jul	Tabligh cluster officially ends
	15-Jul	All schools nationwide reopened with students returning to classes in staggered numbers.
August	1-Aug	Government implements mandatory mask-wearing in crowded places
	28-Aug	PM announced borders will remain closed to foreign tourists to prevent the import of cases into the country
	28-Aug	PM announced RMCO extend until 31 December 2020
September	1-Sep	Third wave of Covid-19 (this sudden surge of cases was due to the two largest contributors, namely the Benteng LD cluster in Sabah and Kedah's Tembok cluster.)
	23-Sep	**Government announces additional initiatives: PRIHATIN Supplementary Initiative Package @ KITA PRIHATIN**
	28-Sep	SC and BURSA Malaysia extend temporary margin financing flexibilities to 31 December 2020
October		-
November	6-Nov	**Budget 2021 tabled: Govt allocates an additional RM1 billion to curb the third wave of Covid-19**
		Govt to allocate RM400 mil to write-off Felda settlers' interest repayment
		Govt agrees to withdrawal from EPF Account 1 on a targeted basis
		Federal govt gross borrowings to increase to RM181.49b in 2020 to finance expansionary budget
		BNM Announces Additional Measures to Assist Individuals And SMEs Affected By COVID-19 following the Budget 2021 speech by the Minister of Finance
	8-Nov	MOE has announced that public examinations for Form Five and Form Six students will be postponed again: SPM, SVM, STAM postponed to 22 February 2021 and STPM will now be held from 8 March 2021

	9-Nov	A month-long CMCO imposed in Kedah, Penang, Perak, Negeri Sembilan, Melaka, Johor and Terengganu
December		-
Date		**Malaysia Events (2021)**
January	11-Jan	PM announced MCO (6 states), CMCO (5 states), RMCO (Perlis & Sarawak) from 12.01am Wednesday, 13 - 26 January 2021
	12-Jan	State of Emergency for the whole Federation effective from January 11, 2021, to August 1st, 2021.
	18-Jan	**Government announces the *Perlindungan Ekonomi dan Rakyat Malaysia* (PERMAI) assistance package, valued at RM15 billion**
February	22-Feb	A total of 401,105 of SPM candidates to sit for 2020 exam
	24-Feb	Government started rolling out the National Covid-19 Immunisation Programme
March	17-Mar	**Govt announces RM20 billion PEMERKASA assistance package.**
	28-Mar	**Additional RM1.2b allocation to PRIHATIN Special Grant GKP 3.0**
April	28-Apr	The Education Ministry announced UPSR abolished, PT3 2021 cancelled.

1.2.1 COVID Governance in Malaysia

Day-to-day management of the pandemic was split between the Ministry of Health (MOH) and the National Security Council (NSC). The NSC, traditionally the preserve of the police and military, took a law-and-order focus, issued the Standard Operating Procedures (SOPs) governing the pandemic and was represented with regular briefings by the Minister of Defence Ismail Sabri. His senior position in the government may have driven the deployment of the military to assist domestic policing of the pandemic.

The Minister of Health had been publicly discredited after appearing on television and recommending that COVID-19 could be treated with the consumption of warm water (a popular folk remedy). Consequently, for most of the period under study MOH was publicly represented by its Director-General who enjoyed a higher degree of public confidence and delivered daily briefings to the media.

When the National Vaccination Programme took off in early 2021 under the leadership of the Minister for Science, Technology, and Innovation (MOSTI), in order to address vaccine hesitancy and confidence in government, the latter conducted regular briefings and eventually pioneered vaccine data disclosures to public repositories such as Github and Our World is Data. This opened the way for fuller disclosure of health data from MOH which had been limited for much of the pandemic.

The Prime Minister preferred to stay in the background, projecting an image of paternalistic authority and reserving appearances for major announcements of lockdowns or relief measures. A National COVID-19 Taskforce was established, chaired by the Prime Minister, with representation from key ministries and agencies.

The finance minister, a commercial banker with no formal party affiliation, was responsible for preparing the stimulus packages and budget, and was later visible reporting on their implementation. Both Finance and Health ministries were led by first-time ministers, appointed eight days before the first lockdown began.

1.2.2 Public Health Measures: Movement Control Orders, Testing, and Tracing

Malaysia's lockdowns were implemented as Movement Control Orders via the Prevention and Control of Infectious Diseases Act 1988 (the "Act"), under the purview of the Ministry of Health. The Act empowers the government to declare certain sectors and activities "essential" or "non-essential" with varying degrees of operation allowed, such as full closure for non-essential services, and for essential services, operation with a certain percentage of the workforce (from 10% "warm idle" and upwards depending on the assessed severity of the pandemic and perceived importance of given subsectors), limited business hours, and further restrictions the government deemed appropriate, such as restricting personal movement to a 10km radius from home, prohibitions on dine-in, inter-state travel, international travel, and public gatherings (including religious and sports activities).

The definition of what services were considered essential was modified several times during the first MCO. Initially, 22 services were allowed before being reduced to ten after two weeks (Fan, 2020). Essential services included food supply, e-commerce, and healthcare. Those sectors deemed non-essential had to shut down, forcing some retailers to embrace e-commerce, while others suspended operations entirely.

By the second MCO, allowed sectors broadened to much of manufacturing, construction, services, trade and distribution, as well as plantations and commodities. Once again, the list was amended four times in ten days, changes included first allowing automotive manufacturing, shutting it down, then reopening it.[2] Implementation and interpretation tended to be somewhat chaotic with each MCO. A summary of the types and durations of the Movement Control Orders are detailed in the table below.

Table 5. Summary of Malaysia's Movement Control Orders (MCO), 2020-2021

Name	Start Date	End Date	Duration	Notes
Movement Control Order (MCO)	18/3/20	3/5/20	47 days	Extensive national lockdown
Conditional Movement Control Order (CMCO)	4/5/20	9/6/20	37 days	Relaxed measures
Recovery Movement Control Order (RMCO)	10/6/20	31/3/21	295 days	Lightest measures (Work from home, schools closed
State-based MCO/CMCO/RMCO/EMCOs	12/10/20	31/5/21	141 days	Extensive measures in key economic states and Sabah
"Total lockdown"	1/6/21	14/6/21	14 days	Extensive national lockdown
National Recovery Plan period	15/6/21	31/12/21	200 days	Extensive lockdown transitioning to rapidly phased economic reopening as adult vaccination reached 90%.

Source: Malaysia National Security Council (MKN), 2021

In practical terms, this meant that individuals and businesses had to navigate a steep learning curve lagging behind that of the state as all tried to adapt existing systems to the challenge of COVID-19. Inefficiencies naturally resulted from a lack of familiarity and clarity with such government pronouncements. The timing of announcements gave businesses little time to adapt and comply.

[2] Malaysia is the third largest automotive producer in Southeast Asia, behind Thailand and Indonesia. Closures affected Toyota, Honda, as well as local automaker Perodua (Malay Mail, 2021a).

Throughout 2020, MCOs were typically imposed for two weeks at a time. However, this matched the infection and incubation period of the first variant of the virus and was therefore an inadequate period to assess if a surge in cases had been curbed since the efficacy of restrictions could only be observed after a lag of two weeks. The first MCO was extended five times for a further two weeks at a time until cases dropped.

There was little effort to manage expectations over the duration of lockdown. Notice of MCO extensions were given from a week to as little as a few days beforehand. It was not uncommon for specific SOPs that different sectors were supposed to apply to be issued 24 hours before mandatory implementation. The SOPs issued by National Security Council (NSC) are extensive (one estimate puts them at over 100), obtuse, and oft-times showed little relation to science or evidence (e.g., mandating routine temperature checks, restricting or banning outdoor exercise while at times permitting indoor gyms, “hygiene theatre” in response to confirmed infections, limited operation hours for take-away, as opposed to stressing the importance of ventilation in addition to laudable mandated masking) (Singh, 2021).

While such inefficiencies were understandable during the first lockdown, short notice of regulatory changes and the scramble to comply became a feature of pandemic management throughout 2020 and 2021. As time went on, they had a negative impact on public and business morale.

1.2.3 ‘Strict’ Operating Procedures and its Scientific Relevance (or Lack Thereof)

The government has liked to emphasise “strict” Standard Operating Procedures (SOPs) as its core approach to economic activity under the pandemic, and anecdotally enforcement appears to have been extensive on businesses and ordinary individuals, with the Minister of Defence regularly reporting the number of fines issued. However, just because an SOP is strictly enforced does not make it scientifically effective. Temperature scanners are mandatory in workplaces and shops, but they are inaccurate, detect only a fraction of infected persons, and tend to encourage crowding.

Claims of strict adherence to SOPs as cases rose begged questions of relevance. During lockdowns in early 2021, there was great public outcry over the decision to allow factories and construction sites to operate while the majority stayed at home since the sectors accounted for 47% of clusters and 60% of initial cases from 22 February to 2 April (CodeBlue 2021a). Overcrowded dormitories and housing for foreign workers in both these sectors have been longstanding issues, whereas workplace SOPs focused on reducing crowding by a given percentage. Notably, both manufacturing (22.9%) and construction (4.0%) contributed less to 2020 GDP than the Services sector (57.7%) which remained largely shut.

Several times, populist considerations and poor enforcement undermined regional containment strategies ahead of key festivals traditionally involving travel back to hometowns. Consequently, many would escape border controls placed around the highly infected states of the Klang Valley leading to rising cases a fortnight later in their home states.

Further weighing down public confidence and trust in government were numerous violations of SOPs by politicians and celebrities who received little to no punishment versus ordinary members of the public who faced stiff fines for even minor infractions.

Throughout the pandemic, SOPs remained focused on sector and sub-sector restrictions which bore little relation to actual risks of infection. The NSC was unable to shift to a framework that allowed both government and businesses to evaluate risks versus needs.

The legibility of SOPs reflected the order and security mindset of the military and policing disposition of the NSC rather than ease of use for the businesses expected to implement them.[3] Businesses may have benefitted more from more economical, evidenced-based guidance and a risk framework similar to the approach recommended by the WHO (2021) towards COVID-19 pandemic management.

However, such hiccups aside, one of the most consequential actions Malaysia took was to adopt mandatory masking and maintain it. Due to supply shortages, early adoption was delayed to prevent ordinary consumers competing with medical frontliners.

1.3 COVID 19-Shifted Perspectives

By the first Movement Control Order (MCO) that it became clear that the COVID-19 pandemic would have severely damaging macroeconomic effects as well as negatively impact economic welfare. Internationally, other countries were imposing total lockdowns, partial lockdowns, and closure of international borders in order to contain the virus.

Malaysia quickly felt the economic constraints of the pandemic due to supply-side and demand-driven shocks of COVID abroad as well as ones generated domestically due to MCO restrictions. In April 2020, Kristalina Georgieva, managing director of the International Monetary Fund (IMF), stated that they anticipated the worst economic fallout since the Great Depression, and that retail, hospitality, transport, and tourism sectors might face substantial consequences (Georgieva, 2020).

The management of the pandemic often led to trade-offs between handling health concerns and economic ones - requiring careful consideration of protecting peoples' lives or their livelihoods.

1.3.1 COVID-Induced Challenges and Malaysia's Plight

In Malaysia, impacts from the health and economic crisis induced by the pandemic and public health measures taken in response to it, were exacerbated by years of chronic underfunding of the healthcare system, insufficient state coordination, and an ongoing political crisis.

In spite of these deficiencies, the initial response to the pandemic was successful in flattening the pandemic curve via a timely and extensive lockdown supported by public healthcare. Recent past experience with the SARS and Nipah virus meant that the healthcare system was familiar with infectious disease protocols and well prepared for the first wave of COVID-19 (Fifa, 2020).

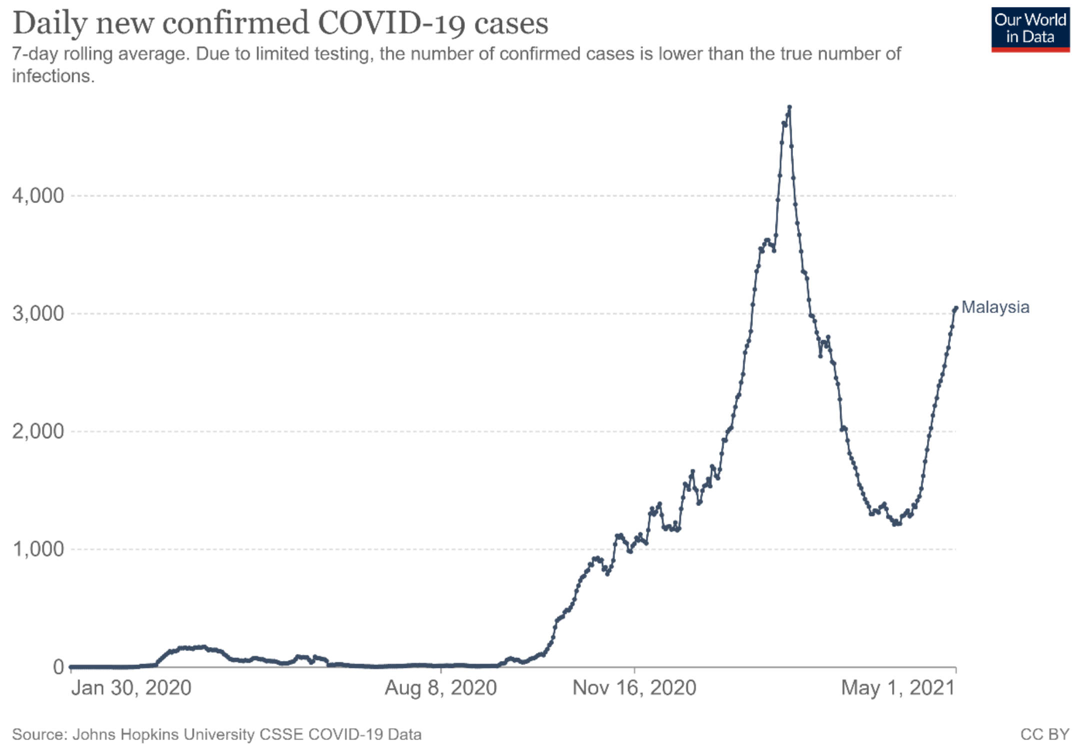
This success and the initial capacity of the public health system to hospitalise all positive cases and support patient recovery via their own immune response may have engendered policy complacency towards the latent threat of the virus and the economic pressures that a resurgence of infections would create. In the wake of the first successful

[3] An SOP archive is maintained here: https://www.mkn.gov.my/web/ms/arkib-sop/ (accessed 28/10/21).

lockdown, the process to secure vaccines only took off in December 2020. Attempts to improve healthcare capacity – to find, test, trace, isolate, and support (FTTIS) the infected – while initially promising, were insufficient to deal with later surges of infection resulting from relaxed social controls.

Despite the economic pressures of the pandemic, fiscal policy retained its pre-crisis commitment to consolidation in the belief that the economic shock of public health controls would be a one-off occurrence and a "V-shaped" recovery would then ensue. The fiscal response was also too slow and too little to effectively curb economic loss.

Figure 1. Malaysia, daily new confirmed COVID-19 cases (7-day rolling average) 30 Jan 2020 – 1 May 2021



Source: Our World in Data, 2022.

Complications arose in the third quarter of 2020. The confluence of an election triggered in the state of Sabah amidst rising infections in that state, and policy missteps on quarantine protocols in its wake, triggered another rise in infections from October that served to overwhelm a public health and public finance system that were unprepared to weather the repeated shocks of an extended crisis.

Consequently, Malaysia experienced multiple waves of infections. Lockdowns of varying intensity remained the principal policy tool to control infections whilst public health measures such as testing and contact tracing remained inadequate, meaning that many infections went undetected. Bureaucratic friction and capacity shortfalls in the public health system, as well as a lag in adopting the latest scientific knowledge about the virus – at first masking then ventilation – helped the rate of infections build and limited potential economic activity.

Experience from several countries shows that COVID-19 is extremely punishing to policy lapses, complacency, and the inability to bring greater technological resources to bear, whether in the form of more refined forms of surveillance and control as in East Asia, or in the mass deployment of vaccines as in several Western states (Pieterse, et al, 2021).

The inability to decisively contain the pandemic meant that economic activity was subjected to a start-stop cycle with negative effects on output and employment, as well as public morale. Business recovery, especially in the sizeable services sector, has been impaired by repeated long lockdowns.

Infighting within the unstable ruling coalition – who held power with a slim majority - and the threat of general elections being held during the pandemic precipitated a Declaration of Emergency on 12 January 2021 that would last until 1 August 2021 and saw Parliament suspended. From global and domestic economic uncertainty to its rocky government, instability became a theme of Malaysia's 2020 and much of 2021.

1.3.2 Altered Economic Predictions, Sombre Projections

A widely circulated forecast by the Malaysian Institute of Economic Research (MIER), released on 23 April predicted that in the best case scenario, Malaysia's real GDP, taking into account the first PRIHATIN[4] stimulus package, was likely to grow by 3.8% relative to 2019 (-0.29% of the 2020 baseline), and in the worst-case scenario, projected to contract by 1.0% relative to 2019 (-4.9% to 2020 baseline). These predictions were also in-line with those shared by Bank Negara and the World Bank.

MIER's most optimistic scenario projected that economic activities, including trade and investment, would fully rebound by 3Q2020. This best-case scenario coupled with the PRIHATIN stimulus also expected to curtail job losses to only 28,600 workers, preventing 1.05 million job losses. However, its worst-case scenario forecasted that economic activities would not recover by the end of 2020 and into the first quarter of 2021 as well. Job losses in this case were predicted to decline from 2.41 million to 1.46 million workers, with 955,266 jobs protected.

International and domestic lockdowns quickly put an end to the Visit Malaysia 2020 tourism campaign, and with it the economic benefits it was predicted to bring. Overall, growth moderated sharply across all the major economic sectors as the MCO substantially affected business operations, tourism, and consumer spending (BNM 2020).

With less consumption and various tax cut initiatives, expected government revenue in 2020 was expected to decrease 14% to RM227.3 billion (USD 54.1 billion) (MOF 2021). Additionally, the worsening economic impacts of COVID-19 led to the development of multiple stimulus packages and fiscal injections to keep the economy afloat – leading to higher government spending amidst lowered revenue.

[4] PRIHATIN was a RM230 billion stimulus package unveiled on 27th March 2020. More details on the package can be found in section 2 of this paper.

2. Malaysia's Stimulus Packages and Fiscal Injections

2.1 Overview of Malaysia's Stimulus Packages and Fiscal Injections

Between February 2020 to June 2021, Malaysia unveiled nine different stimulus packages amounting to a total of RM530 billion (USD126.2 billion), almost twice as large as the initial 2020 budget of RM297 billion (USD70.7 billion). Out of the RM530 billion, RM82.9 billion (USD19.74 billion) constituted direct fiscal injection (MOF 2021).

The packages targeted three main areas: assisting the people, rejuvenating businesses, and stimulating the economy. The timeline and total of each stimulus package can be found in Table 5, while Table 6 shows the distribution of the packages across the three areas.

Table 5. Summary of Malaysia's Stimulus Packages, 2020-2021

Date	Days since tighter restrictions announced*	Name	Total size (RM billion)	Fiscal Injection (RM Billion)	% Fiscal injection
27/2/20	N/A	Economic Stimulus Package 2020	20	-	-
27/3/20	11	PRIHATIN (Economic Stimulus Package Prihatin Rakyat)	230	25	10.9
6/4/20	20	PRIHATIN SME+ (Additional PRIHATIN SME Economic Stimulus Package)	10	10	100.0
5/6/20	N/A	PENJANA (Short-Term Economic Recovery Plan)	35	10	28.6
23/9/20	N/A	KITA PRIHATIN (PRIHATIN Supplementary Initiative Package)	10	10	100.0
18/1/21	8	PERMAI	15	1.9	12.7
17/3/21	66	PEMERKASA	20	11	55.0
31/5/21	3	PERMERKASA PLUS	40	5	12.5
28/6/21	1**	PEMULIH	150	10	6.7
		TOTAL	530	82.9	15.6

Source: Malaysia Ministry of Finance (MOF), 2021

* Days from the announcement of tighter movement controls and the announcement of a stimulus package to redress it. Does not factor in actual implementation and disbursement time.
** PEMULIH was announced one day after the first phase of movement control under the National Recovery Plan (NRP) was indefinitely extended.

Table 6. Breakdown of Malaysia's Stimulus Packages by Category, 2020-2021

	OBJECTIVE	ASSISTANCE AND STIMULUS PACKAGES	AMOUNT (RM BILLION)
PEOPLE			
1	Alleviate people's welfare	Bantuan Prihatin Nasional: PRIHATIN & KITA PRIHATIN	18.30
		Internet Connectivity for Education and Productivity: PENJANA & PEMULIH	3.50
		Reskilling and Upskilling Programmes: PENJANA	2.00
		Bantuan Prihatin Rakyat: PERMAI & PEMERKASA	4.50
		Increase in People's Welfare assistance: PERMAI	2.20
2	Assisting people's cashflow	Loan Moratorium: PRIHATIN, PEMERKASA & PEMULIH	95.00
		i-Lestari: PRIHATIN	40.00
		EPF Rate Reduction: PRIHATIN & PERMAI	19.20
		Civil Servant Special Assistance: PRIHATIN	1.90
		i-Citra: PEMULIH	30.00
		Special COVID-19 Assistance (BKC) and Job Loss: PEMULIH	5.10
		Electricity Discounts at 2%-50%: PRIHATIN	1.35
		Capping price of 5kg cooking oil at RM30: PEMULIH	1.00
		ePENJANA dan eBELIA Programme: PENJANA & PERMAI	0.80
		Other assistances under all packages: Private Retirement Scheme, frontliner allowance, IPT students assistance, OKU assistance, single mother and food basket	9.90
Subtotal			**234.75**
BUSINESS			

3	Assist business cash flows	Wage Subsidy and Government incentives: PRIHATIN, PRIHATIN PKS+, PENJANA, KITA PRIHATIN, PERMAI, PEMERKASA, PEMERKASA+ & PEMULIH	24.90
		Special Relief Financing (SRF) and Targeted Relief and Recovered Facility (TRRF): All packages	16.00
		Loan Moratorium (Biz): PRIHATIN & PEMULIH	115.00
		EPF Employer Assistance Programme: PRIHATIN	10.00
		SME GO: PENJANA	1.60
		Electricity discount up to 15%: PRIHATIN, PEMERKASA and PEMULIH	2.00
4	Rejuvenate businesses, particularly SMEs and MSMEs	Microfinancing: PRIHATIN, PEMERKASA, & PEMULIH	4.26
5	Rejuvenate businesses	Prihatin Special Grant: PRIHATIN PKS+, KITA PRIHATIN, PERMAI, PEMERKASA, PEMERKASA+ & PEMULIH	6.08
		DanaJamin: PRIHATIN	50.00
		All economic sector facility fund: PRIHATIN	1.00
		MyCIF: PRIHATIN	0.50
		Financial Stress Support for Businesses: PENJANA	2.00
		PENJANA Tourism Financing (PTF): PENJANA	1.00
		Automation and Digitalisation Fund: PENJANA & PEMERKASA	1.00
		Guarantee Schemes (SJPP) & Danajamin PRIHATIN Guarantee Scheme (DPGS): PRIHATIN & PEMULIH	30.00

		Fund for SMEs: PEMULIH	1.40
		Others for all packages: Tax relief for COVID-19 Related Expenses, Bumiputera Relief Financing, spur the setup of new businesses, micros and SMEs eCommerce campaign and etc.	6.56
Subtotal			**273.30**
ECONOMY			
6	Rejuvenate businesses and economy	Small Scale Projects: PRIHATIN & PEMERKASA	6.00
		Others (includes expanding MARRIS): PRIHATIN	1.10
		Tax Incentives for Property Purchase: PENJANA	1.04
		Dana PENJANA Nasional: PENJANA	1.20
7	Address the impact of COVID and enhance implementation of various existing measures, subsidies, and incentives	COVID-19 Related: PRIHATIN, PERMAI & PEMERKASA+	3.50
		National COVID-19 Immunization Program (PICK): PERMAI, PEMERKASA & PEMULIH	5.80
		Others - Mobile Vaccination Clinic, Mobile Vaccination Program, MyMedic Program: PEMULIH & PERMAI	0.04
		Food Security Fund: PRIHATIN	1.00
8	Improve cash flow	Tax incentives for Passenger Cars: PENJANA	0.90
		Others – Assistance on arts, culture, entertainment, events and exhibitions sector support; commodity sector support; technology and etc.	1.37
Subtotal			**21.95**
Total Government Assistance			**530.00**

Source: Ministry of Finance, Economic Outlook Report 2021.

2.2 Malaysia's 2020 Stimulus Packages

In the first quarter of 2020, the impact of the pandemic was limited to tourism-related industries, including airlines, tour operators, recreational activities, accommodation, and restaurants. In response, the government announced the Economic Stimulus Package 2020 of RM20 billion (USD4.76 billion) on 27 February 2020. The package was aimed at increasing the capacity of the healthcare sector in containing the outbreak, supporting the cash flow of affected businesses, and stimulating the domestic tourism industry (MOF 2020).

With a new Finance Minister in place following February's Sheraton Move, a dedicated Unit for the Implementation and Coordination of National Agencies on the Economic Stimulus Package (LAKSANA) was formed within the Ministry of Finance on 16 March 2020 to monitor the implementation of stimulus packages and ensure they were delivered in a timely and effective manner, regularly reporting to the Economic Action Council (EAC) chaired by the Prime Minister.

Eleven days after the first MCO was announced, the Economic Stimulus Package Prihatin Rakyat (PRIHATIN) was unveiled on 27 March 2020. This RM230 billion (USD54.8 billion) package focused on additional funding for healthcare, medical equipment, enhancing testing capacity and digital contact tracing, provided one-off cash transfers to supplement the loss of income, and three months limited wage subsidies to encourage businesses to retain employees. PRIHATIN also included an automatic moratorium on loan repayments for six months to households, which ended in September 2020, partly to encourage private consumption.

Table 7. Summary of the PRIHATIN Stimulus Package

PRIHATIN: RM 250 Billion		
Beneficiary	Details	Allocation (RM ' million)
Healthcare & Frontliners		
Ministry of Health	Fund allocation to the Ministry of Health for medical equipment purchases and to pay for services	1000
Essential workers	RM 600 allowance for healthcare personnel	
	RM 200 allowance to frontliners such as police, immigration, and customs personnel	
Insurance policy holders	Insurance and takaful sectors will provide funds to bolster COVID-19 testing	8
Direct Aid		
Malaysian Citizens	RM 1600 one-off payment to households earning below RM 4000	10000
	RM 1000 one-off payment to households earning between RM 4001 - RM 8000	
	RM 800 one-off payment to unmarried persons 21 or over earning less that RM 2000	
	RM 500 one-off payment to unmarried persons 21 or over earning between that RM 2000 - RM 4000	
Civil Servants	RM 500 one-off payment for civil servants including contract staff (grade 56 and lower)	
IPT Students	RM 200 one-off payment for all students at higher learning institutions	270
E-Hailing drivers	RM 500 one-off payment for e-hailing drivers	60
Pensioners	RM 250 one-off payment for government pensioners	
Wage Subsidy & Employment Retention		
Malaysian Citizens	Wage subsidy program for workers who earn RM 4000 or less for 3 months	5900
Contract Workers	Cleaning and catering contract workers will be paid a salary and their terms of service will be extended for another month taking into account the MCO period	110
Telecommunication		
Malaysian Citizens	15-50% electricity bill discount for 6 months beginning April 1st	1300

	Free internet from all telcos from April 1st till the end of MCO	600
Telco comp	Allocation to improve the broadband network	400
	Rent Aid	
Malaysian Citizens	PPR and public housing residents are exempted from paying rent for 6 months	3
	A six-month moratorium is provided for Rent-to-Own units effective from April - September 2020	5.7
Business Owners	Buildings belonging to the government will be exempted from rental payment	
	Welfare	
Vulnerable Communities	Collaboration with NGOs to provide food and shelter for senior citizens, Orang Asli, and the disabled	25
COVID-19 Patients	MySalam and COVID-19 quarantine patients are entitled to RM 50 per day for 14 days	
	Food Security	
PPK, PNK	The government will allocate RM 100,000 - RM 200,00 to viable Pertubuhan Peladang Kawasan and Pertubuhan Nelayan Kawasan to develop agro-food projects	64.4
FSF	Allocation to the Food Security Fund	1000
Agriculture and Food Sectors	The government will also provide RM 100 million for the development of infrastructure for food storage & distribution as well as crop integration programme	100
	SME	
SMEs	Increase the size of the Special Relief Facility (SRF) fund to RM 5 billion with a reduction of interest rate to 3.5%	4500
	Increase the size of the All Economic Sector Facility to RM 6.8 billion	
	Provide additional funds of RM 500 million under the Micro Credit Scheme for soft loans with an increase of the maximum financing account to RM 75,000	
	SMEs with business records of less than 4 years can leverage the Bizmula-i and BizWanita-i schemes for financing up to RM 300,000 under the Credit Gurantee Malaysia Berhad	
	Syarikat Penjamin Pembiayaan Perniagaan (SJPP) will provide RM 5 billion worth of guarantees with the guaranteed coverage increasing to 80%	
	TEKUN National, MARA, and other government agencies will offer a moratorium to small and medium-sized enterprises beginning April 1st	100,000

	EPF will introduction the Employer Advisory Services	10,000
	Exempt payment from the Human Resources Development Fund (HRDF) levy across all sectors for 6 months	440
Loan & Finance		
PTPTN & PTPTK Loan Holders	PTPTN and PTPTK loan repayment deferred to September 30	899
Malaysian Citizens	Pre-retirement withdrawal from PRS of up to RM 1500 is allowed without tax penalties	
Domestic Investment Activity		
Malaysian Citizens	The government has identified several small projects including upgrading dilapidated schools in Sabah and Sarawak, cleaning houses of worship, cleaning police stations, and upgrading tourism facilities	2000

Source: Malaysia Ministry of Finance (MOF), 2020

With only RM25 billion (USD5.96 billion) direct fiscal injection, the extent and duration of direct support provided by PRIHATIN was limited in both scope and time to May 2020. The government decided to allow private sector employees to draw down their discretionary pension accounts in the Employees Provident Fund (EPF) to offset the cost pressures of lockdown up to a maximum of RM6,000 (USD1,4290) over 12 months. This i-Lestari programme proved very popular, underlining the acute financial pressure households were under. The compulsory monthly minimum employee salary contribution to the EPF was also reduced from 11% to 7% to increase disposable income.

SMEs had been badly affected by the lockdown with cashflow problems. The soft loan measures in PRIHATIN were deemed insufficient, so an Additional PRIHATIN SME Economic Stimulus Package (PRIHATIN SME+) was announced nine days later worth RM10 billion (USD2.38 billion), all of it direct fiscal injection. It included a special grant for micro-enterprises and additional wage subsidies.

Table 8. Summary of the PRIHATIN SME+ Stimulus Package

PRIHATIN SME+: RM 10 Billion		
Beneficiary	Details	Allocation (RM ' million)
Direct Aid to SMEs		
SMEs	Companies with workforce of more than 200 people is eligible for a wage subsidy of RM 600 a month for every retained worker, up to a maximum of 200 workers	7900
	Companies between 25-200 workers, they receive RM 800 per month for each employee	
	Companies with less that 75 people, they are eligible for RM 1200 per month per employee	
	PRIHATIN Grant of RM 3000 will be provided to each eligible micro enterprises	2100
SME Moratoriums		

SMEs	Abolish the 2% interest rate to 0% under the Micro Credit Scheme under BSN	500
	Soft loan scheme for micro enterprises extended to TEKUN at max loan limit of RM 10000 at 0% for each enterprise	200
Others		
	Reduce the levy on foreign workers by 25% to all companies with work permits that will expire between April 1st and 31st December 2020	
Rent Deduction		
SMEs	Waive or provide discounts to SMEs in the retail sectors operating on premises owned by GLCs	
Landlords	Owners of private premises who reduce or waive rent to SME tenants are given further tax deduction equivalent to the amount of rent reduced	

Source: Malaysia Ministry of Finance (MOF), 2020

By 4 May 2020, when lockdown measures transitioned from MCO to CMCO, the Prime Minister announced a '6R' strategy – Resolve, Resilience, Restart, Recovery, Revitalise, and Reform – whereby Resolve was the initial lockdown to flatten the pandemic curve, PRIHATIN was the second stage (resilience), Restart was the May relaxation, and the fourth stage was a new package, the Short-Term Economic Recovery Plan (PENJANA) worth RM35 billion (USD8.33 billion) (RM10 billion direct fiscal injection) announced on 5 May.

Budget 2021 represented the fifth stage – Revitalise – to be tabled in November 2020 and medium-term reform would be addressed in the 12th Malaysia Plan (2021-2025), a five-year development plan that should have been tabled along with Budget 2021, but with the worsening course of the pandemic in 3Q2020 was pushed back to sometime in late 2021. 2021 was the first year in nearly six decades where there was no overarching development plan.

Table 9. Summary of the PENJANA Stimulus Package

PENJANA: RM 35 Billion		
Beneficiary	Details	Allocation (RM ' million)
Wage Subsidy & Employment Retention		
Employees	An extension of the wage subsidy programme for another 3 months with a subsidy of RM 600 for all eligible employers	5300
Job Seekers	RM 600 per month allocated for apprenticeships for school leavers and graduates up to 6 months	1500
	RM 800 per month unemployment benefit allocated for workers below the age of 40, for up to 6 months	
	RM 1000 per month unemployment benefit allocated for workers above the age of 40 or persons with disability, for up to 6 months	

	Training allowance of RM 4000 per individual for those who are retrenched but are not covered by the EIS	
	Provision of 1-1 matching fund of RM 250 million to co-fund place-and-train and other upskilling programmes with HDRF	2000
	optimisation of government training facilities such as those under MARA, Community Colleges, IKBN, ILP	
	Support Securities Industry Development Corporation (SIDC)	
	relax conditions for PROTÉGÉ Ready to Work Programme	
	Marketing representative training scheme of up to RM 800 per person registering with SIDC	
Gig employee workers	a matching grant of up to RM 50 million for gig platforms who contribute for their gig workers PERKESO employment injury scheme & EPF's i-Saraan contribution	50
	Provide MDEC with RM 25 million for the Global Online Workforce Programme (GLOW)	25
Employees working from home	Individual income tax exemption of up to RM 5000 to employees who receive a handphone, notebook, & tablet from their employers	800
	Special individual income tax relief of up to RM 2500 on the purchase of handphone, notebook, & tablet	
	Further tax deduction for employers which implement Flexible Work Arrangements (FWA)	
Childcare Support		
Households with children	eVouchers of RM 800 per household for mobile childcare services	200
	Increase in income tax relief for parents on childcare services expenses, from RM 2000 to RM 3000 for 2020 & 2021 Year of Assessment	
Childcare Centre	One-off grant of up to RM 5000 per childcare registered with the Ministry of Women, Family, & Community Development	
Early education practitioners	Incentive to train new practioners for child nursing and early education courses	
Accessibility		
All	Unlimited monthly travel pass costing RM 30 on all rail services, BRT, RapidKL, and MRT feeder bus	200
Welfare		

OKUs & single mothers	One-off financial assistance of RM 300 to registered OKUs, single mothers earning below the PLI registered under KPWKM, and volunteer Home Help Services	108
Relevant NGOs	Grant for relevant NGOs which support vulnerable groups	
	PENJANA GLC Community programme which encourages GLC to develop a social economic development project in one community	
B40 above 40	Increase the allocation of the PEKA B40 Healthcare support	50
	Telecommunication	
All	Free 1 GB of data per day between 8 am to 6pm for education, productivity, and news by participating telecommunication companies	3000
	Free unlimited use of the government's COVID-19 applications	
	SMEs	
Malaysian SMEs	Eligible Micro enterprises and SMEs will be onboarded to shift towards business digitalization	70
E-commerce	Co-fund digital discount vouchers	70
SMEs and MTCs	SME digitalisation Matching Grant totalling RM 100 million	700
	SME Technology Transformation Fund totalling RM 500 million	
	Smart Automation Grant totalling RM 100 million, capping at RM 1 million per company	
MSMEs & SMEs	Provision of an online one-stop business advisory platform	5
Critically affected business	The banking sector will offer an additional RM 2 billion of funding to assist SMEs adversely impacted by COVID-19 to sustain business operations with a maximum loan size of RM 500,000 per SME	2000
Tourism Sector	A RM 1 billion PENJANA Tourism Financing facility to aid with the tourism sector	1000
MSMEs & SMEs	New funding programme for SMEs and micro enterprises capped at 3.5% interest rate with a maximum financing value RM 50,000 per enterprise	400
	RM 50 million of the above funding set aside for women entrepreneurs	
Bumiputera Business	PUNB will provide RM 200 million dedicated financial assistance for Bumiputera business	500
	MARA will allocate RM 300 million working capital loans to assist Bumiputera entrepreneurs capped at RM 1 million with an 3.5% interest rate	

SME contractors	SME bank will provide financing support to contractors and vendors who were awarded with small government projects	1600
All business	Tax relief for COVID-19 related expenses for business	600
	50% remission of penalty for late payment of sales tax & services	2400
	Extension of special tax deduction for renovations and refurbishment	
	Extension of Accelerated Capital Allowance on eligible capital expenses	
	Extension of special deduction equivalent of 30% reduction in rental for SMEs	
Relevant Social Enterprises	Provision of a matching grant through Malaysian Global Innovation & Creativity Centre to social enterprises who are able to crowdsource contributions to undertake social projects	10
New business	Income tax rebate up to RM 20,000 per year for 3 years of assessment for newly SMEs	300
SMEs involved in M&As	Stamp duty exemption for SMEs on any instruments executed for Mergers and Acquisition	
Others		
Foreign Direct Investments	Tax incentives for companies relocating into Malaysia	50
Tourism Sector	Tourism tax exemption from 1st July 2020 to 30th June 2021.	1800
	Extension of service tax exemption for hotels to 30th June 2021	
	Extension of period of income tax relief of RM 1,000	
Arts, Creative, Entertainment, and Events sectors	RM 100 million in soft loans and RM 30 million in grants for the creative, events, and exhibition industries under the MyCreative Ventures and RM 10 million for CENDANA	225
	RM 50 million worth of digital marketing with a cap of RM 5,000 per event.	
	RM 35 million Dana Kandungan Digital allocated under MDEC for creative projects focused on animation and visual effects	
Agriculture and Food Sectors	Micro credit financing under Agrobank for agropenuers with a maximum loan size of RM 50,000	350
	In-kind benefits for Urban Farming worth RM500 per person and RM 5,000 per community	50
Commodity Sector	100% export duty exemption for all commodity sector	200

Source: Malaysia Ministry of Finance (MOF), 2020

PENJANA focused on restarting the economy by incentivising people and businesses to resume their activities, amidst what was then thought to be the "new normal". A month later in June, the RMCO lifted almost all restrictions with businesses were required to self-regulate whilst adhering to SOPs. PENJANA provided another round of one-off cash support for vulnerable low-income groups, extended the wage subsidy scheme, established a reskilling fund, support for financing and liquidity, e-commerce incentives, and tax exemptions.

By September 2020, with the loan moratorium period and wage subsidy ending, "the Government received feedback that people and businesses were still financially-stricken" (MOF, 2020). An additional stimulus package was announced on 23 September 2020. The PRIHATIN Supplementary Initiative Package (KITA PRIHATIN), amounting to RM10 billion (USD2.38 billion), was targeted at micro-SMEs, local workers, and those in the bottom 80 percentile of the income spectrum. A more targeted loan moratorium was extended to businesses and people to ease financial commitments.

Table 10. Summary of the KITA PRIHATIN Stimulus Package

PRIHATIN Supplementary Initiative Package @ KITA PRIHATIN : RM 10 Billion		
Beneficiary	Details	Allocation (RM ' million)
Wage Subsidy & Employment Retention		
Employers	Wage Subsidy Program 2.0 to companies that since RMCO are still facing lower revenues of at least 30 percent compared to last year; up to 3 months at a rate of RM600 per month for each employee up to a maximum of 200 employees.	2400
Direct Aid to SMEs		
SMEs	Reopening of this GKP initiative for new applications.	600
Direct Aid		
BPN Recipients	Additional cash assistance under BPN 2.0 is as follows: First: RM1,000 to 3.7 million B40 households. Second: RM500 to 3.8 million B40 singles. Third: RM600 to almost 1.4 million M40 households. Fourth: RM300 to 1.7 million M40 singles.	7000

Source: Malaysia Ministry of Finance (MOF), 2020

2.2.1 Legal Amendments

In August, five months after the lockdown a Temporary Measures to Reduce the Impact of Coronavirus 2019 (COVID-19) 2020 Act was introduced to provide exemption or relief to individuals who were unable to fulfil their contractual obligations such as rent payments due to the spread of the epidemic. Originally set to expire on 31 December 2020, the Act was only gazetted on 23 October 2020, leaving little time for it to be used. It was extended three times until 31 December 2021 indicating continued difficulty amongst the business community as pandemic restrictions were repeatedly imposed. Questions have been raised as to whether it provides genuine retroactive legal protection for broken contracts from 18 March 2020 to 23 October 2020 (The Star, 2021).

The Government also passed the Temporary Measures for Government Financing (Coronavirus Disease 2019) Act temporarily raised the statutory debt level to 60% of GDP, from 55% until 2022. This represented the first rise since July 2009 during the

Global Financial Crisis. Under this Act, Parliament approved an allocation ceiling of RM45 billion (USD10.7 billion) for the COVID-19 Fund.

2.3 Optimism for 2021 Dampened by COVID-19's Inevitable Second Wave

Budget 2021, prepared in the lull between the second and third wave, worked on the assumption that the shock of the pandemic would be one-off and aimed to revitalise post-crisis economic growth. Unfortunately, in September 2020, political manoeuvres to topple the Sabah state government and align it with the new federal disposition led to a third wave that necessitated further lockdowns from mid-October in states accounting for 84% of Malaysia's GDP (The Edge, 2020). The Malaysian government was not alone in predicting a "V-shaped" recovery, the IMF - an important stakeholder for the Malaysian treasury - had done so in their April World Economic Outlook (IMF, 2020). However, the failure to account for alternate pandemic scenarios meant that the budget – and by extension the government – was poorly prepared to cope with a resurgence of cases. Changing circumstances meant that by the time Budget 2021 was tabled in November its relevance had dramatically diminished. This was evidenced by the need for at least three further stimulus packages in 1H2021.

Budget 2021 amounted to RM322.5 billion (USD76.8 billion). It allocated RM236.5 billion (USD56.3 billion) for operating expenditure, RM69 billion for development expenditure, and RM17 billion (USD4.05 billion) for the COVID-19 Fund. The fund was an accounting workaround to exceed limitations on operating expenditure and in practice have a current deficit (Hafiz, 2021).

With its assumption of impending normality, Budget 2021 contained a broad mix of measures focusing on well-being, business continuity, and economic resilience. Beyond the usual mix of welfare and infrastructural spending typical of pre-crisis budgets there were several crisis measures beyond additional cash support for low-income groups.

Recognising unemployment was a problem, the budget extended the Employment Insurance Scheme (EIS) under the government's Social Security Organisation (SOCSO). Those retrenched would previously receive six months support at a rate of 80% of their monthly salary, decreasing to 30% over time. For 2021, this Job Search Allowance was extended to nine months with a rate of 80% in the first month, 50% for the second till sixth month, and subsequently 30% for the last three months. The wage subsidy programme under SOCSO was extended, as was a hiring incentive, and reskilling programmes.

2.3.1 Fiscal Constraints

Despite raising the debt ceiling in August, Budget 2021 was marked by fiscal constraints. In part, this was due to a desire to appeal to credit rating agencies with a continued message of fiscal consolidation, good times or bad. On the other hand, there was an express desire to balance immediate relief with longer-term development (The Edge, 2020a). The IMF had earlier in 2020 encouraged governments to "go big" with COVID-19 rescue spending, and domestic voices had also taken up the call to raise fiscal limits. There were also political threats arising from potential crossovers undermining the fragile majority held by the government. The passage of the budget itself was in doubt due to attempts to turn daily voting on each ministries' budget into de facto confidence motions on the government of the day. The Budget finally passed 105 to 95, with 22 MPs abstaining.

Had the government taken advantage of the more stable political environment in August to raise the debt ceiling further they could have proposed a larger budget with greater contributions to both relief and productive investment. As was the case with the earlier rounds of COVID-19 stimuli, fiscal constraints shaped both the quantity and the kinds of relief and recovery policies put forth. What fiscal injection could not cover was drawn from household savings and the private sector.

Controversially, the Budget introduced the i-Sinar programme to allow private sector pension holders for the first time to draw down their core retirement funds in the EPF, access to which was normally restricted until one is 50 years old. PRIHATIN's i-Lestari programme in April only allowed access to discretionary funds.

Government-linked companies (GLCs, i.e., state-owned enterprises) offered 15,000 jobs under a short-term employment programme. They were also supposed to contribute RM150 million (USD35.7 million) to provide laptops to 150,000 students to help bridge the gap in online learning. However, this programme has so far failed to materialise.

The allocation for the Ministry of Health was only increased to 2.2% of GDP from 2.0% from the previous budget, rising from to RM31.9 billion (USD7.59 billion) for 2021 from RM30.6 billion (USD7.29 billion) in 2020. Ahead of the budget, the Director-General of Health had called for spending to rise to 4% of GDP saying, "We have been underfunded for years" (The Star, 2020). The shortfalls in manpower, personal protective equipment, oxygen, and infrastructure became painfully obvious during the third wave.

Notably, to stem the third wave, the budget allocated a mere RM1 billion (USD238.2 million) to purchase reagents, test kits, test supplies, personal protective equipment, and medicines (MOF, 2020). This was to prove woefully inadequate as Malaysia faced both a third and a fourth wave in 2021. In the first five months of 2021, the government announced stimulus programmes amounting to RM75 billion (USD17.9 billion) with RM17.9 billion (USD4.26 billion) fiscal injection.

Significantly, the budget made a RM3 billion (USD714.6 million) allocation for a national COVID-19 vaccination programme which has been crucial for tempering fatalities in the fourth wave and redressing the other shortfalls in healthcare funding and capacity.

Despite having better financial resources than most developing countries Malaysia was relatively late to order vaccines, starting in December 2020. However, the RM3 billion allocated by Budget 2021 proved insufficient, RM5 billion (USD1.19 billion) was needed. In another sign of fiscal strain, in April 2021 the government passed an emergency ordinance to draw upon part of the RM19.2 billion (USD4.57 billion) in the National Trust Fund (Kumpulan Wang Amanah Negara, KWAN) to finance the vaccine programme. KWAN is a natural resource-based contribution fund meant for future generations, primarily financed by petroleum revenue (The Edge, 2021a).

Officially designated as a sovereign wealth fund, KWAN was only used once prior to the pandemic to fund a wetland project. Objections raised to the usage of KWAN at the time in retrospect appear to be a product of its novelty. The decision to utilise this sovereign wealth fund in a time of public health crisis represents a relative innovation. The government eventually tapped KWAN twice to finance a full round of national vaccinations and a round of booster shots.

2.4 Malaysia's Second Round of Injections: The 2021 Stimulus Packages

Come January 2021, with record rising daily confirmed case rates from the third wave and renewed threats from UMNO, the governing coalition's largest bloc, to pull out and precipitate a general election, the government declared a State of Emergency from 11 January, fresh lockdowns on 12 January, followed by a RM15 billion (USD3.57 billion) stimulus package PERMAI (RM1.9 billion (USD452.6 million) fiscal injection) on 18 January.

Table 11. Summary of the PERMAI Stimulus Package

PERMAI: RM 15 Billion		
Beneficiary	Details	Allocation (RM ' million)
Healthcare & Frontliners		
Frontliners	One-off provision of RM500 to healthcare frontliners, RM300 to other frontliners, the existing special monthly allowance of RM600 to healthcare frontliners and RM200 to other frontliners will continue until the COVID-19 pandemic is over.	
Ministry of Health	This allocation focuses on supplies, including additional reagents and screening kits as well as PPE equipment, specifically for healthcare frontliners.	800
National Security Council and other relevant agencies		200
National Healthcare Sector	The Government will recruit an additional 3,500 healthcare personnel who will start working at the end of this month due to current situation, aside from additional 8,000 healthcare that was approved last year for the Ministry of Health. These recruits comprise assistant medical officers, paramedics, laboratory technicians and nurses.	150
Vaccination (COVID-19 Vaccine Supply)	National Immunisation Programme, the first batch is expected to be vaccinated by early March, and Malaysia is expected to meet its target of vaccinating more than 80 percent of its population or close to 27 million people by the first quarter of 2022.	3000
Private Hospitals	To further enhance cooperation between the public and private sectors in combating the COVID-19 pandemic, private hospitals have agreed to receive and treat both COVID-19 and non-COVID-19 patients to help alleviate the strain on the public healthcare system.	100
Welfare		
Jabatan Kebajikan Masyarakat (JKM)	Food Basket Program will be implemented immediately which will provide essential food items worth RM100 for each eligible household.	50
Relevant Government agencies	To expedite all forms of flood assistance; to alleviate the rakyat's burden or repairing their homes.	250
Government-linked companies (GLIC/GLC Disaster Relief Network program)	In addition to contributing towards protecting the welfare of the vulnerable groups, the Government will allocate under the GLIC/GLC Disaster Relief Network program as a matching grant with government-linked companies for social initiatives. This includes the	25

	provision of community assistance, including to the elderly, homeless, the disabled and flood victims.	
	Telecommunication	
ALL	The provision of free 1 Gigabit data has been offered to the public to browse websites, including for educational purposes. This facility started on 1 January 2021 and will be extended until the end of April 2021.	500
ALL	Extending the Special Tax Relief up to RM 2500 on the Purchase of Mobile Phones, Computers and Tablets.	
SPM, STPM, Higher learning institution	A special subscription package for students who are sitting for their SPM and STPM examinations will be extended to all students of higher learning institutions. This package will also be made available until the end of April 2021.	
Selected Sector	10% on electricity bills from January to March 2021 to six business sectors nationwide, comprising hotel operators, theme parks, convention centres, shopping malls, local airline offices as well as travel and tour agencies.	
Malaysian Citizens	Domestic and non-domestic at a rate of 2 sen per kilowatt-hour, which is equivalent to a reduction in electricity bills of up to 9 percent for a period of 6 months, from 1st January to 30th June 2021.	
	Loan & Finance	
PTPTN	PTPTN borrowers can apply for a three-month PTPTN loan repayment moratorium. Application for this moratorium can be made until 31 March 2021.	
Taxi and Bus Drivers	Under the Bus and Taxi Hire Purchase Rehabilitation Scheme, a 50% guarantee on financing from hire purchase and leasing companies will be provided for selected buses such as sightseeing buses, and taxis.	1000
MARA borrowers	MARA will continue its MARA PRIHATIN Peace of Mind 2.0 program to reschedule the repayment until 31 March 2021.	
Flood Victims, affected B40, M40 & SMEs	Moratorium extension and loan repayment assistance will continue.	
	Wage Subsidy & Employment Retention	
Malaysian Citizens	Wage Subsidy Program 3.0 under SOCSO, for a period of one month, eligible employers will receive a wage subsidy of RM600 for each of their employee earning less than RM4,000. The wage subsidy limit of 200 employees for each employer will be increased to 500 employees.	1000
Those who suffered loss of employment during MCO	30% salary for 3 months for eligible applicants with new minimum requirements.	
Delivery riders	To fund the full contribution under SOCSO's Self-Employment Social Security Scheme who form the backbone of the delivery services of goods and meals during this MCO period.	24
	Direct Aid to SMEs	

SMEs	PERMAI Prihatin Special Grant: MCO states with a payment of RM1,000 each, while in other states will receive RM500 each.	650
Direct Aid		
Taxi and Bus Drivers	One-off financial assistance of RM500 to 14,000 tourist guides as well as 118,000 drivers of taxis, school buses, tour buses, rental cars and e-hailing vehicles.	66
Rent Aid		
MARA business premises rental	30 percent rental discount on business premises for a period of six months from November 2020 to April 2021.	
SMEs		
Micro-enterprises and SMEs	To assist the cash flow, the Government will expedite the implementation of microcredit schemes that include soft loans amounting to RM390 million by Bank Simpanan Nasional, RM350 million by Agrobank and RM295 million by TEKUN.	1000
Micro entrepreneurs	The Government will accelerate the implementation of the SME and Micro SME e-Commerce Campaign and Shop Malaysia Online campaign. Through these campaigns, Micro entrepreneurs will receive business coaching and on-boarding onto e-commerce platforms while buyers will enjoy savings through online shopping.	300
Others		
Private sector	The Government announced the Danajamin Guarantee Scheme, or SJPD to support the private sector's growth and boost the country's economy.	5000
Automotive sector	The Government recently announced the extension of sales tax exemption for locally assembled and imported passenger vehicles until 30 June 2021.	
BPN recipients	Accelerating the Bantuan Prihatin Rakyat Assistance (BPN 2.0 brought forward from 21 January 2021 onwards)	

Source: Malaysia Ministry of Finance (MOF), 2021

As daily cases moderated, another stimulus was unveiled on 17 March, a year after the first lockdown began. The lull would be temporary as the fourth wave, believed to be driven by the more infectious Delta variant, took off in April. This PERMERKASA package of RM20 billion (USD4.76 billion) (RM11 billion (USD2.62 billion) direct fiscal injection) was expanded on 31 May with the RM40 billion (USD9.53 billion) PERMERKASA+ as Malaysia entered its third national lockdown.

Table 12. Summary of the PEMERKASA Stimulus Package

PEMERKASA: RM 20 Billion (Fiscal injection RM 11 Billion)		
Beneficiary	Details	Allocation (RM ' million)
Healthcare & Frontliners		
MOH	Increase allocation from RM3b to RM5b to speed up vaccination program	2,000
	RM30m allocated for expansion of mobile clinic healthcare services through KPT Prihatin, Kommuniti Sejahtera (KRIS) programme.	30

Frontliners	COVID-19 special aid of RM200 per month extended for public servants involved in immunisation program.	
	SME	
	Additional tax cut on COVID-19 screening costs for employee until 31 Dec.	
Employers	Increase allocation from RM2.5b to RM5b for small-scale project incl. G1 to G4 contractors in infrastructure maintenance.	2,500
	Resumption of Prihatin Special Grant: one-off payment of RM1,000 for micro and SMEs.	
	Additional RM50m for Smart Automation Grant provided under the MIDA to encourage more SMEs and mid-tier companies to leverage on technology to improve their operational efficiency.	50
SME	SME Bank and MIDF to each allocate RM200m to finance automation, digitalisation and green tech development. MIDF to reduce loan interest by 2% for 12 months starting 1 April and SME Bank to finance machinery procurement with incentive grant up to 20% of machine value.	
	Govt to allocate RM30m to SME and Micro SME e-Commerce Campaign and Shop Malaysia Online Programme to help women entrepreneurs in shifting their businesses to e-commerce. BSN to pump n RM50m for PEMERKASA-NITA Microfinance Scheme.	30
	RM10m allocated for matching grant up to 70% for women entrepreneurs and self-employed women under SOCSO Self-Employment Security Scheme.	
Manufacturing sector	Additional tax cut on rental of premises and workers' hostels for manufacturing sectors and service providers, limited up to RM50k. Such companies are required to comply with the Safe@Work audit requirement.	
	Tourism and retail sectors unable to operate during MCO and CMCO period will be given Human Resource Development Fund (HRDF) levy exemption up to June 2021.	
	Extension of tourist and service tax exemption until 31 Dec	
Tourism and service sector	Monthly income tax instalments to be deferred from 1 April to 31 Dec for tourism and entertainment sectors.	
	Entertainment duty exemption for entertainment spaces in federal territory.	
	Individual income tax relief up to RM1,000 for purchase of tourism package through tour agencies registered with MOTAC.	

	One-off special aid grant at RM3,000 for 5,000 MOTAC registered tour agencies. One-off in-cash aid at RM600 for MOTAC registered homestay owners.	
	3 months extension on electricity bill discount of 10% for selected industries.	
Agriculture sector	Allocation of RM30m matching grant to promote investment in palm industry.	50
	Allocation of RM20m matching grant to the Sustainable Oil Palm Growers Cooperatives for the purpose of purchasing machinery.	
Loan & Finance		
SME	Additional financing fund of RM500m provided for micro-credit financing facilities through programmes under BSN, TEKUN, MARA and SME Corporation.	500
	TEKUN Nasional to pump in RM60m for Informal Financing Scheme.	
	100% Excise Duty exemption will be given on locally assembled motorcycles, only applicable for locally assembled motorcycles with engine capacity of 150cc and below.	
	Program TEKUN POS-preneur: Financial aid up to RM20k for vehicle maintenance, RM50k for purchase of van or lorry.	
	SME Corp to pump RM50m to aid local SME in financing up to RM250k at 3% interest.	
	Companies Commission of Malaysia (CCM) to increase the indebtedness threshold from RM10k to RM50k.	
	Cooperative Commission of Malaysia to provide financing initiatives up to RM100k without collateral to help affected cooperatives.	
	Securities Commission to give 12-month waiver on listing-related fees for IPOs as measures to reduce fundraising cost for companies and provide further financial relief to listed issuers.	
MARA	RM50m channelled to MARA to aid 1,000 bumiputera micro-SMEs with financing up to RM50k at a 3% interest under Micro Prihatin Business Financing Scheme.	50
OKU	BSN to allocate RM25m under ISTIMEWA Microcredit Scheme for OKU group's business ventures with financing limit up to RM5k at 3% interest.	
Youth	BSN to offer PEMERKASA-BELIA Microfinance Scheme up to RM50k at 3% interest rate.	
Wage Subsidy & Employment Retention		

Informal sector	Expand intensive employment programme to include temporary and gig workers	
Employers	RM700m allocation for for the extension of the Wage Subsidy Program 3.0 for another 3 months particularly for those in the tourism, wholesale and retail sectors as well as other types of businesses that were affected by the implementation of the MCO such as gymnasiums and spas.	700
	Wage subsidy at the rate of RM600 per month for each local employee earning RM4,000 and below per month, for companies with more than 200 employees and up to a maximum of 500 employees.	
	Employers registered with SOCSO offering short-term employment or gig service to receive RM200 for each recruitment.	
	Apprenticeship program to extend program period to 6 months, participants to be given RM800 incentives for the period.	
	UpskillMalaysia program and e-LATiH portal to support upskilling and capacity building.	
Telecommunication		
Household	Program Jaringan Prihatin to raise subsidy to from RM180 to RM300 for household with school children for purchase of smartphones and gadgets.	2,000
All	MCMC to launch MyBAIKHATI programme to crowdsource gadgets and distribute them to community internet centres.	
Direct Aid		
B40	One-off payment of RM500 for B40 group who experienced loss of income. Payment to start June.	
	Single payment of RM500 for BPR recipients with income RM1,000 or lower.	
	Cash benefit of RM50 per day for 14 days for B40 who are quarantined at home due to COVID-19 subject to medical officer's verification.	
Indirect Aid & Welfare		
Homeless	DBKL to setup Anjung Kelana in Taman Desa KL as temporary shelter for the homeless.	
Urban poor	Cashless purchase initiative for kitchenware procurement programme.	100
OKU	Raise threshold wage eligibility for disabled worker allowance from RM1,200 to RM1,500.	26
KPWKM	Allocation of RM20m for reinforcement of Ministry of Women, Family and Community Development (MWFCD/KPWKM) programmes.	20

All	Fuel subsidy at 30sen per litre to cap RON95 and diesel price at RM2.05 per litre and RM2.15 per litre.	3,000
	LPG subsidy at 50% for 14kg barrel for household use.	
Trade		
SME	eBizLink e-commerce platform and Globepreneur as initiative to highlight potential SMEs to global market	
	Govt to raise the ceiling for the Market Development Grant (MDG) from RM300k to RM500k per company that participates in international exhibitions.	
	Govt to launch Sustainable Sukuk of at least USD 1 billion to help the country become a "sustainable financial hub".	
Youth	eBelia programme to increase credit from RM100 to RM150 starting June.	300
	Allocation of RM10m for expansion of Urban Community Economy Empowerment Programme (PEKB).	10
	Tunas Usahawan Belia Bumiputera and New Gen Entrepreneur Online Bootcamp as online business bootcamps for youth groups.	

Source: Malaysia Ministry of Finance (MOF), 2021

Table 13. Summary of the PEMERKASA+ Stimulus Package

PEMERKASA+: RM 40 Billion (Fiscal injection RM 5 Billion)		
Beneficiary	Details	Allocation (RM ' million)
Healthcare & Frontliners		
MOH	Additional RM1 billion allocated to increase public health capacity to fight Covid-19, incl. bed capacity, ICU equipment (RM450m) and extend contracts for more than 14,500 health personnel, including retired healthcare workers (RM550m), until 2022.	1,000
	MOSTI to speed up immunisation drive, PICK targeted to end Dec at highly populated states.	
Vulnerable communities	Deployment of public use buses, vans, and pool vehicle for vaccine outreach. Third sector encouraged to provide assistance.	
Direct Aid		
Malaysian citizens	One-off payment of RM500 for household income below RM2,500.	2100
	One-off payment of RM300 for household income RM2,501-RM5,000.	
	One-off payment of RM100 for single households.	
Transportation sector	One-off aid of RM500 for tour drivers, taxi drivers, bus drivers and e-hailing.	68
Wage Subsidy & Employment Retention		

Employers	Wage Subsidy program to extend 1 month for up to 500 workers per application, costs bear by govt.	1,500
Jobseekers	Free upskilling, training courses through e-LATiH portal.	
	SME	
SME	Prihatin Special Grant (GKP) to be increased from RM1,000 to RM1,500. RM1,000 to be paid in June and RM500 in July.	
Tourism and service sectors	10% electricity bill discounts for affected sectors from July to Sep 2021.	
	Exemption for Tourism Tax and Service Tax will be extended until 31 Dec.	
	Loan & Finance	
Loan holders	B40 group, individual. who suffers income loss, and micro and SME owners given permission for automatic moratorium for 3 months and 50% reduction in instalments for 6 months starting June.	
Bus and taxi operators	Bus and taxi hire purchase rehabilitations scheme: where eligible bus and taxi operators may get a 12-month moratorium and extended repayment period of 36 months	1,000
Building owners	Tax cut for businesses premises landlords who offer rental discount of at least 30% for 6 months to SMEs.	
MARA entrepreneurs	MARA entrepreneurs eligible to 30% discount on rental of business premises from May to July.	
MARA education loan holders	MARA PRIHATIN Peace of Mind to extend to July: loan holders can reschedule repayments to education loan.	
SME	HRDF (Human Resource Development Fund) levy payment for June 2021 to be exempted.	
	RM1.5 billion in micro-credit facilities available to micro-SME at 3% interest by Bank Simpanan Nasional, TEKUN, MARA, SME Corp, and Yayasan Pembangunan Ekonomi Islam Malaysia.	
	Companies Commission of Malaysia to reintroduce extension of deadline for submission of financial statements and convening of annual general meetings for listed companies and impose moratorium on penalties for late submission of statutory documents. The commission will also waive late fees to renew business licenses of SMEs, micro-enterprises, sole proprietorships and partnerships until Dec 31.	
Taxpayers	Inland Revenue Board to consider penalty appeals and defer payment of penalties to 2022, as well as reschedule payment of tax arrears for affected taxpayers and businesses.	
Home buyers	Home Ownership Campaign stamp duty exemption on instruments of transfer and loan agreements for the purchase of residential homes extended until Dec 31.	

	Sales tax exemption period for completely knocked down (CKD) and completely built-up (CBU) passenger vehicles from June 30 until Dec 31.	

Source: Malaysia Ministry of Finance (MOF), 2021

Fiscal measures in the three new packages continued to focus on cash transfers, wages subsidies, microenterprise grants, and healthcare support familiar from the 2020 stimuli. However, the PERMAI package announced after fresh lockdowns and the Emergency were declared did not provide cash transfers to cushion the shock of renewed lockdown on low-income households. This would have to wait two months later until the PERMERKASA package in March. The rest of PERMAI consisted of items recycled or continued from the budget and previous stimuli.

More grants and financing options were made available under PERMERKASA, such as microenterprise grants, automation/digitalisation-driven grants, additional allocation for microcredit and a reduction in financing rates by government agencies, to assist the recovery process, particularly for SMEs.

RM30 billion (USD7.15 billion) out of the RM40 billion quantum of PEMERKASA PLUS expanded the loan moratoriums, with just RM5 billion (USD1.19 billion) going towards cash transfers, wage subsidies, healthcare, and top-up grants to microenterprises (Cheng, 2021).

The Emergency suspended Parliament, protecting the government from a vote of confidence until 1 August 2021. An Emergency law was passed 31 March to allow the government to approve supplementary expenditure or withdrawals from the Federal Consolidated Fund without having to seek Parliamentary approval (Malay Mail, 2021b).

Out of the RM75 billion of the first three stimuli of 2021, only RM12.9 billion (USD3.07 billion) or 17.2% represented a direct fiscal injection. By June 2021, the total economic stimulus announced since February 2020 and the start of the pandemic amounted to RM530 billion, with nearly 16% of this being fresh fiscal injection. In other words, for every RM1 announced in stimuli, the government only spent RM0.16. In 2020, the government spent RM305 billion (USD 72.7 billion) in stimulus, equivalent to 21.5% of 2020 GDP.

2.5 Breadth without Depth: The Story of Malaysia's Stimulus Packages

The stimulus and budget measures announced by the government had more breadth than there is space to catalogue here, but we are ultimately concerned if they had sufficient depth to counteract the supply and demand shocks of the crisis. The next section covers the official data on various economic indicators, as well as longer term economic scarring in the form of educational losses and an accelerated retirement crisis.

Announced stimulus measures did not enjoy 100% uptake due to problems in disbursement and awareness. A survey conducted from July to August 2021 for the Ministry of Finance found that only 19% of households in the bottom 40th percentile of the income spectrum received food basket assistance (MOF, 2021: 8). 40% of micro and small enterprises were unaware of the assistance provided by the government and financial institutions (MOF, 2021: 9). Thus, shortfalls in the quantum of stimulus allocated may have been exacerbated by shortfalls in government service delivery, leaving more households and small businesses without assistance.

3. Malaysia's Economic Situation During the Pandemic

3.1 The Macroeconomic Situation

While lockdowns and movement control orders were geared towards reducing the spread of the virus, it came at a cost of severe economic impacts. In theory, a short, sharp lockdown would help break the chain of viral transmission, prevent the health service from being overwhelmed, and buy time to prepare for more agile containment of the pandemic – via testing and tracing – that would allow more social and economic activity to resume. These are what Thomas Pueyo (2020) called the "hammer and dance". Ideally, the agile dance should follow the hammer, displacing the need for blanket lockdowns, though targeted ones could still be used. A scenario where the hammer of lockdown is deployed repeatedly leaves a battered economy and society. This was the case in Malaysia.

The Malaysia case demonstrates both the value of an effective initial lockdown, and the costs of being unable to consistently "dance". These factors, as well as political instability, placed both a burden and limits on economic relief and recovery measures.

"The hammer and dance require adequate governance and public health systems. They require competent government, trust in government and effective leadership, which is widely recognised. The more chaotic the governance, the longer the virus crisis lasts (Pieterse, 2021)."

In the case of Malaysia, this held true as many sectors suffered and continued to struggle in 2021 because of the pandemic, compounded by poor governance in managing it.

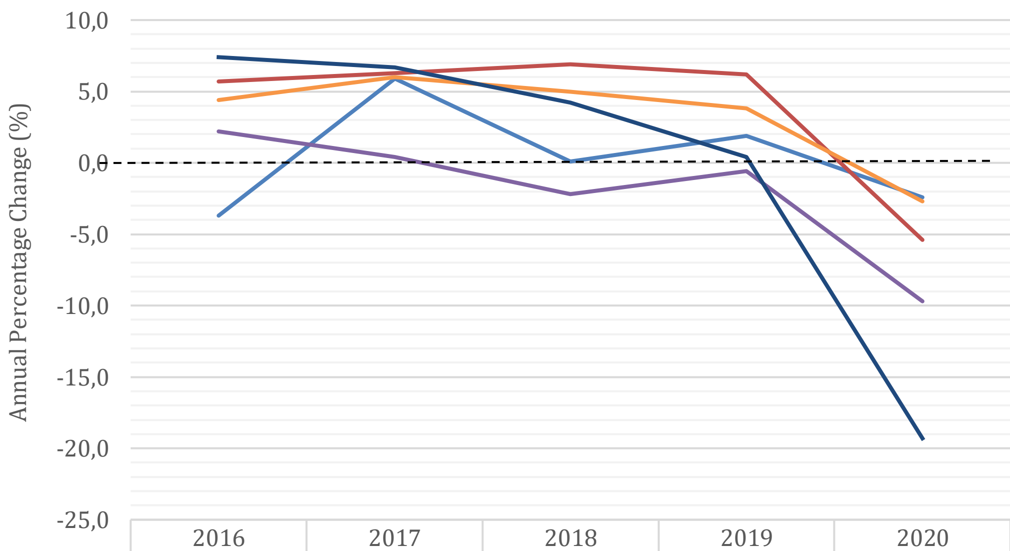
In 2020, Malaysia's economy contracted by 5.5% compared to 4.4% growth in 2019 due to the restrictions on economic activity resulting from the containment measures in response to COVID-19 pandemic. Malaysia last experienced economic contraction in 2009 (-1.5%). The economic contraction of 2020 was the greatest since 1998 (-7.4%).

In 2020, Malaysia's GDP in current prices stood at RM1.42 trillion (USD338.2 billion). Following weakened domestic economic activities and the external sector, Gross National Income per capita deteriorated to RM42,503 (USD10,124) from RM45,311 (USD10,793) recorded in 2019 (DOSM, 2021a).

Figure 2. Malaysia's Annual GDP Percentage Change, 1995-2020

Source: DOSM, 2021

Figure 3. Malaysia's Annual GDP Percentage Change by Sector from 2017-2020

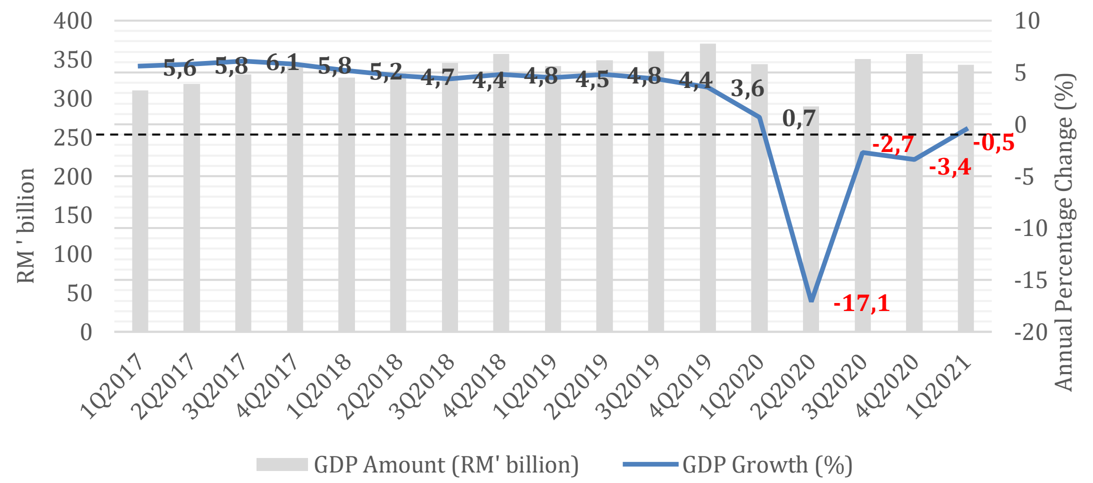


	2016	2017	2018	2019	2020
Agri	-3,7	5,9	0,1	1,9	-2,4
Services	5,7	6,3	6,9	6,2	-5,4
Manufacturing	4,4	6,0	5,0	3,8	-2,7
Mining	2,2	0,4	-2,2	-0,6	-9,7
Construction	7,4	6,7	4,2	0,4	-19,3

Source: DOSM, 2021

All five main economic sectors registered a contraction parallel with a highly challenging domestic operating environment and lower global demand. Year-on-year, contractions across sectors were: Services 5.4%, Manufacturing 2.7%, Agriculture 2.4%, Mining & Quarrying 9.7%, and Construction 19.3%.

Figure 4. Malaysia's GDP and Annual Percentage Change by Quarter from 1Q2017-1Q2020 (2015 Constant Prices)

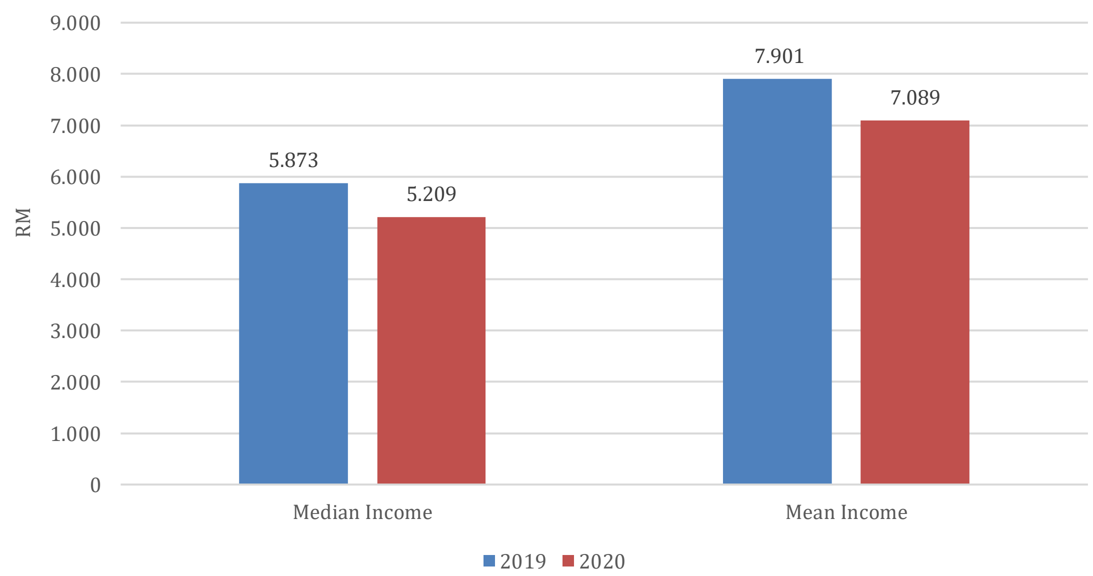


Source: DOSM, 2021

Malaysia experienced negative growth for three consecutive quarters in 2020 (DOSM, 2021a). The economy contracted 0.7% in 1Q2020, with a sharp drop of 17.2% in 2Q2020 as severe movement restrictions were imposed, once these were lifted there was a sharp recovery to a contraction of 2.7% in 3Q2020, followed by a further contraction of 3.4% in 4Q2020 as moderate lockdowns returned in several states. As some of these were relaxed, in 1Q2021 contraction moderated to 0.5% (DOSM, 2021b).

3.2 Malaysian Household's Lowered Income

Figure 5. Mean and Median of Malaysian Household Income from 2019 to 2020



Source: DOSM, 2021

Malaysians suffered severe blows to their income throughout the pandemic, with some losing employment or endured salary cuts. In 2020, median monthly household income declined 11.3% year-on-year to RM5,029 (USD1,198) down from RM5,873 (USD1,399).

Paid employment and self-employment, which were the main sources of household income, recorded a decrease of negative 16.1% and negative 9.7% respectively. Current transfers increased 14.4% from RM644 (USD153) in 2019 to RM737 (USD176) in 2020.

While wage subsidies and the EIS were deployed under the stimulus programmes, they were inadequate to stem the substantial decline in incomes. Income reductions were caused not only by job loss but also by the reduction of working hours and increase in skill-related underemployment (DOSM, 2021c). The insufficiency of cash transfers from 2020 stimuli and relief programmes to counteract overall income loss was underlined by a 12.5% growth in the number of low-income households earning less than RM2,500 (USD596).

In line with decreased household incomes, the number of poor households in 2020 increased 57.8% to 639,800 households from 405,400 in 2019. The incidence of absolute poverty rose to 8.4% from 5.6% in 2019. The number of households in hardcore poverty nearly tripled rising to 78,000 from 27,200 in 2019. The hardcore poverty rate rose to 1.0% up from 0.4% (2019).

Household expenditure decreased by 48.0% during the first MCO, with an estimated 8-10% decrease in private expenditure during 1Q2020 (DOSM, 2021c). The imposition of multiple lockdowns throughout 2020 and 2021 can be expected to delay recovery amidst inadequate financial aid and fiscal injections from the government, evidenced in downward revised growth projections.

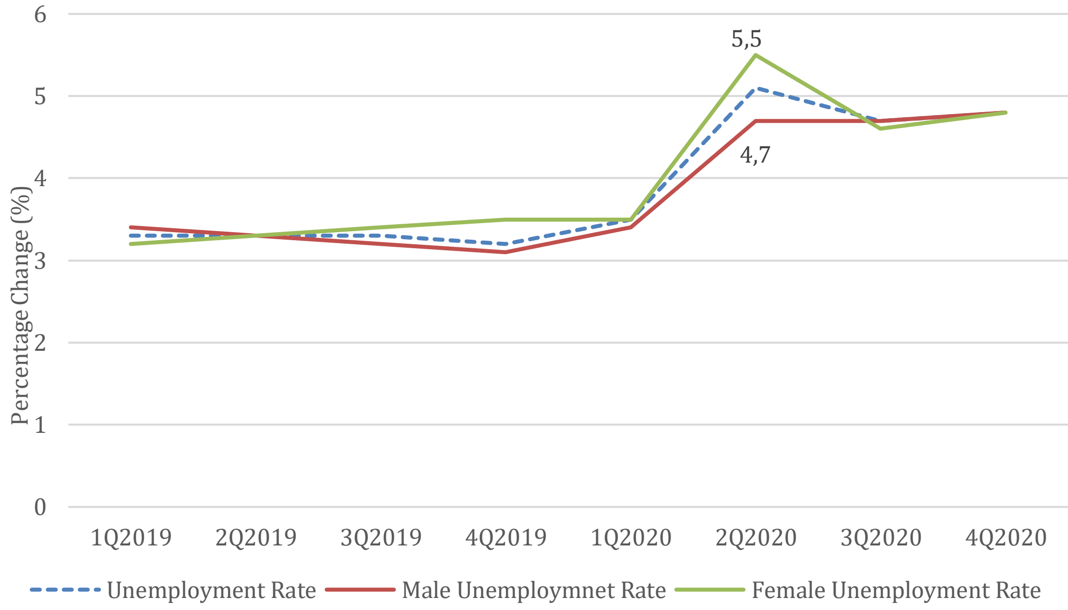
3.2.1 Lower Wages, Higher Unemployment

With multiple lockdowns and limited stimulus measures, unemployment rose from 3.3% (2019) to 4.5% (2020), representing the most significant rise in unemployment since the recession of the late 1980s. Unemployment had hovered around 3.3% for the past two decades. The number of unemployed persons rose from 508,200 people in 2019 to 711,000 people in 2020 (up 39.9%) (DOSM, 2021d).

On a quarterly basis, unemployment hit a high of 5.1% in the second quarter of 2020 with 791,800 unemployed, reflecting the shock of the first lockdown, before moderating to 4.8% in the first and second quarters of 2021 (DOSM, 2021e). Gender disparities emerged in the first lockdown as women made up nearly two out of three total employment declines in 2Q2020 despite making up only 39% of employed workers (Cheng, 2020).

With weakened job demand due to MCO closures, higher competition in the labour market, jobseekers especially graduates tended to take any job regardless of qualifications. In 2020, skill-related underemployment increased by 18.9% to 1.8 million people (up from 1.5 million in 2019). The number of employed persons who were temporarily not working recorded a sharp increase of 614.3% or 879,600 persons in 2020 (2019: 123,100 persons) due to workplace closure and a reduction in working hours.

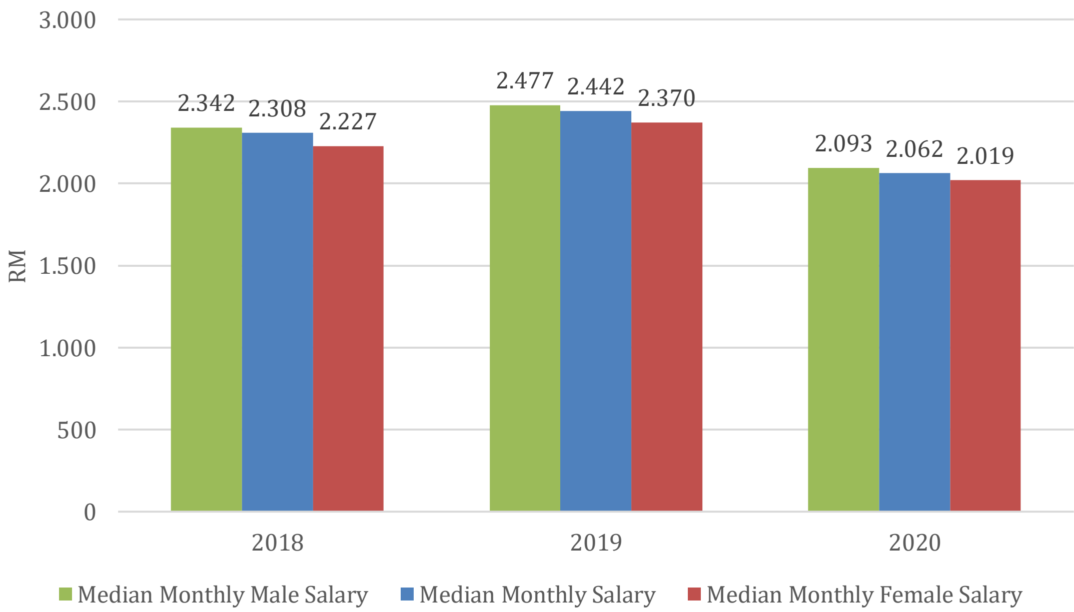
Figure 6. Malaysia's Quarterly Unemployment Chart by Gender from 2019-2020



Source: DOSM, 2021

Meanwhile, the median monthly salary and wage decreased 15.6% from RM2,442 (USD582) to RM2,062 (USD491). Median monthly salaries for men fell slightly more (15.5%) than women (14.8%), narrowing the gap between the two, from RM2,477 (USD590) in 2019 to RM2,093 (USD499) in 2020 for men, and from RM2,370 (USD564) to RM2,019 (USD481) for women. The median monthly salary for men has been consistently higher than women since 2010.

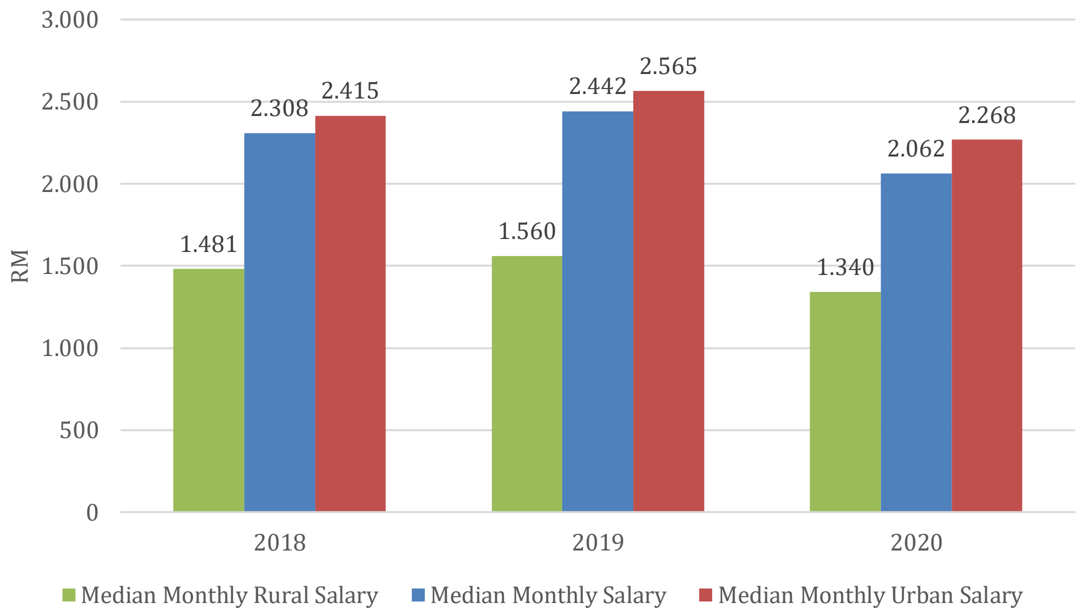
Figure 7. Median Monthly Salary by Gender from 2018-2020



Source: DOSM, 2021

Median monthly rural salaries and wages declined by 14.1% to RM1,340 (USD319) (from RM1,560 (USD372) in 2019), as compared to urban employees whose earnings fell 11.6% to RM2,268 (USD540) (from RM2,565 (USD611) in 2019) (DOSM, 2021f).

Figure 8. Median Monthly Salary by Strata from 2018-2020



Source: DOSM, 2021

Some businesses opted for unpaid leave or cut wages when operations could not be conducted as usual due to the MCO. Given that the largest segment of employed persons in Malaysia is semi-skilled (59.9%), they would have faced difficulty in continuing work in a remote or digital form (DOSM, 2021f).

The data suggests that while the wage subsidy programme may have cushioned wage losses for some workers, it was insufficient to prevent substantial cuts.

3.2.2 Depleting Retirement Savings

The i-Lestari and i-Sinar programmes allowed private sector employees to withdraw their retirement savings from the EPF to meet immediate needs. With i-Citra, an additional withdrawal programme unveiled in July 2021 as part of the PEMULIH package, the total financial impact of COVID-19-related programmes on the EPF rose to RM101 billion (USD24.1 billion) by November 2021 (Astro, 2021). The withdrawals are not expected to have a major impact on the fund's dividends since they reduce the amount EPF needs to generate – provided the economy has a strong recovery from the pandemic. The real policy issue is how these short-term relief programmes driven by fiscal constraints have hastened a retirement crisis (The Edge, 2021d).

Prior to August 2021, 2.19 million of its 15 million members had less than RM1,000 (USD238) saved with EPF while 4.56 million members had less than RM5,000 (USD1,191) left. 6.3 million had less than RM10,000 (USD2,382) in their Account 1 (normally restricted until age 50) and 9.3 million people had less than RM10,000 in Account 2 (discretionary withdrawals) — far short of the RM240,000 (USD57,168) minimum savings target (RM1,000 a month for 20 years) that EPF says all members should have by age 55.

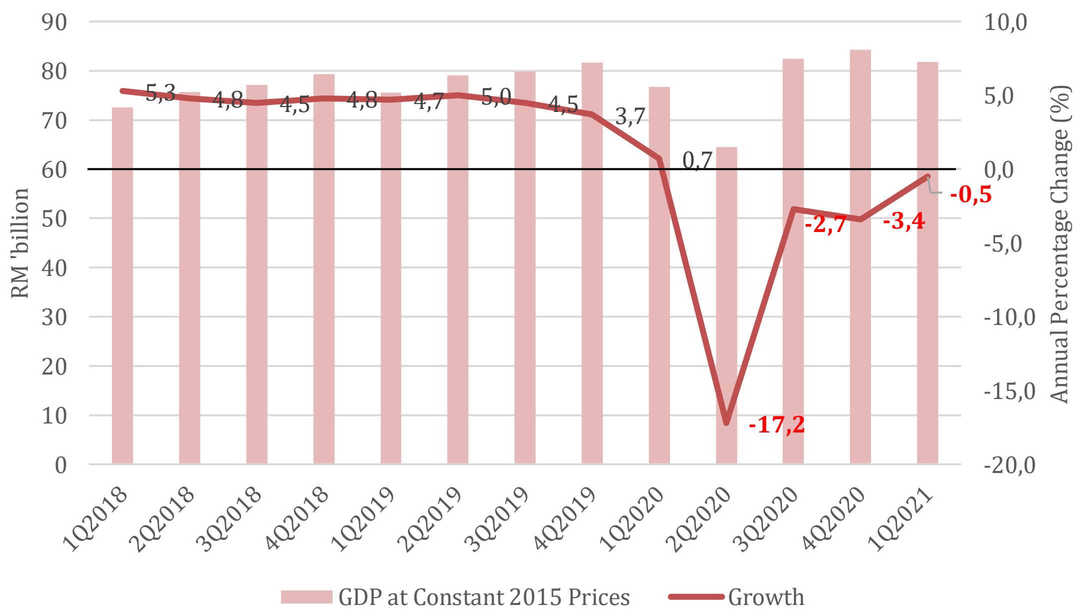
Data shared by the EPF showed that, as of 4 August 2021, 62% who had applied for i-Citra withdrawals said the money would be used to cover everyday essential expenses. Other motivations included settling outstanding debt (16%), assisting affected family members (8%) and increasing emergency funds (6%) (The Edge, 2021d).

3.3 Malaysia's Manufacturing Sector Amidst the Lockdowns

China's lockdown to contain the pandemic disrupted global supply chains for a broad range of products, including electrical and electronic products (E&E) and transport equipment (BNM, 2020). This led to a shortage of intermediate inputs for some domestic industries, though some of that impact was mitigated through a drawdown of inventories (BNM, 2020).

However, manufacturing activity was more impacted by the imposition of MCOs and weak demand conditions – especially in the first half of 2020 where repeated extensions of the MCO curtailed production activity across all industries. While some essential sectors were allowed to operate, they were operating at 50% capacity due to SOP measures that required physical distancing in the workplace. Overall, this led to a 18.3% contraction in the manufacturing sector by the end of the second quarter of 2020 (BNM, 2020). In March 2020, the Malaysian Investment Development Authority (MIDA) estimated a potential loss of RM12.9 billion (USD3.07 billion) to GDP and a RM64.6 billion (USD15.4 billion) production loss during the first 14 days of the MCO (MIDA, 2020).

Figure 9. Malaysia's Manufacturing GDP and Annual Percentage Change by Quarter from 1Q2017-1Q2020



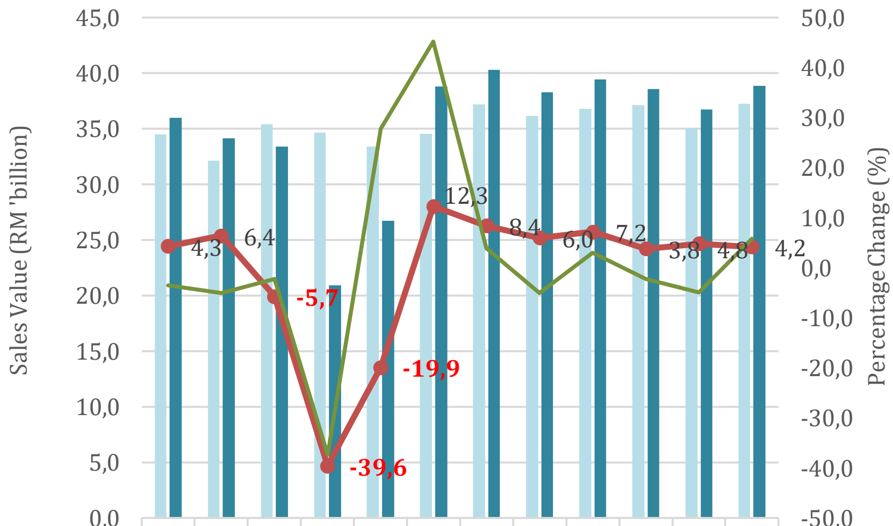
3.3.1 The Electrical and Electronics Industry Offsetting Weakness in Other Manufacturing Sectors

Malaysia's Electrical and Electronics (E&E) industry is one of the largest single contributors towards national GDP, making up 5.8% or RM81.0 billion (USD19.3 billion) of GDP and supporting around 560,000 jobs (MIDA, 2020). The E&E industry in Malaysia is generally labour-intensive as most of the local E&E companies in Malaysia are involved in the mid- to lower end of the value chain – serving mostly foreign semiconductor brand manufacturers, brand owners, integrated circuit (IC) developers, and fabricators – and less so in higher value-added activities such as generating intellectual property (IP) as well as design and development (D&D) (MIDA, 2019).

Due to the high dependence upon labour, MCO SOPs severely impacted the industry due to movement restrictions and limits on worker capacity. It was estimated that during the first 14 days of the MCO the E&E sector's contribution to GDP may have declined by RM3.1 billion (USD738.4 million) and its exports may have declined by RM14.5 billion (USD3.45 billion) (MIDA, 2020).

While the E&E industry had a rough start to the pandemic, it quickly recovered when MCO restrictions began lifting and firms gradually restarted operations – growing at a 45.7% month-on-month pace in June 2020 (DOSM, 2020). The uptick in growth was mainly driven by fulfilling backlogged orders as well as catering for front-loading activities amid concerns of rising trade tensions (BNM, 2020). Robust demand for semiconductors was driven by work from home equipment and medical devices (BNM, 2020) which rose in relevance during the pandemic.

Figure 10. Malaysia's Electrical and Electronic Manufacturing Subsector Monthly Total Value, Monthly Change, and Annual Percentage Change from 2019-2020



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	34,5	32,1	35,4	34,6	33,4	34,6	37,2	36,1	36,8	37,2	35,0	37,3
2020	36,0	34,2	33,4	20,9	26,7	38,8	40,3	38,3	39,4	38,6	36,7	38,8
2020 YoY Change (%)	4,3	6,4	-5,7	-39,6	-19,9	12,3	8,4	6,0	7,2	3,8	4,8	4,2
2020 MoM Change (%)	-3,5	-5,0	-2,2	-37,4	27,8	45,2	3,9	-5,0	3,0	-2,2	-4,9	5,8

Source: DOSM, 2021

Additionally, since Malaysian E&E producers are highly integrated in global value chains, the sustained demand and global shortage of semiconductor components have led to strong performance in the E&E subsector (BNM 2020). This is further reflected by the consistent growth in the E&E sector from June 2020 onwards, recording a year-on-year growth of 12.7% in June, 7.2% in September, and 4.2% in December that year (DOSM, 2020).

Sustained growth despite pandemic conditions, as well as E&E being Malaysia's largest export segment – contributing 8% of global back-end semi-conductor output (MIDA, 2019) – has led to the E&E sector offsetting weak production in consumer-cluster manufacturing products (BNM, 2020).

The E&E industry has also been identified as a key area in post-COVID-19 recovery for Malaysia according to MIDA CEO, Azman Mahmud (The Malaysian Reserve, 2020) emphasising further the subsector's importance to Malaysia's manufacturing and GDP.

3.4 COVID 19-Induced Challenges in the Agriculture Sector

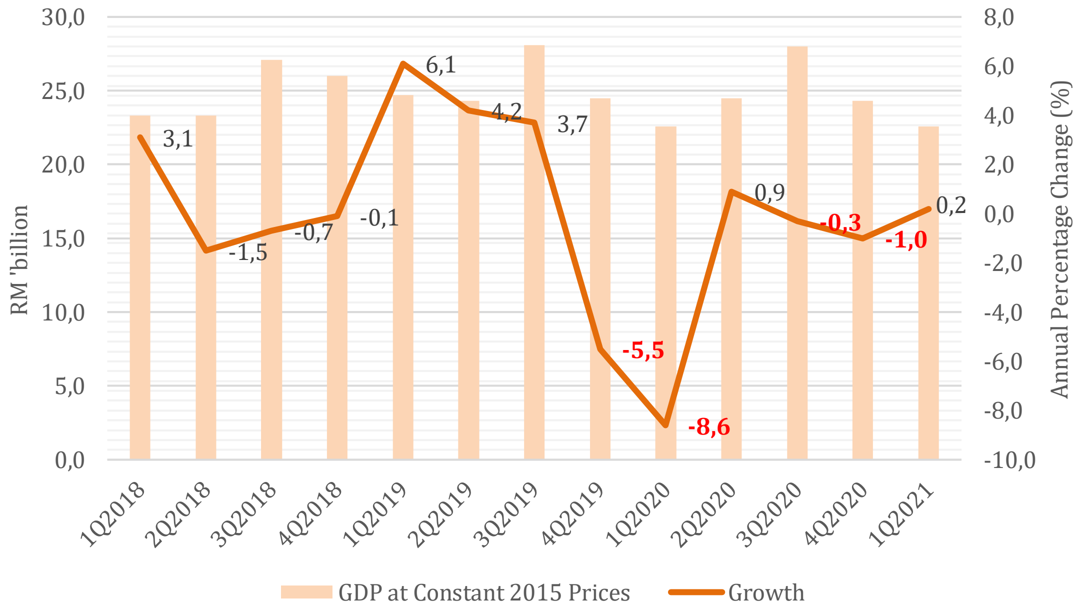
The COVID-19 pandemic indirectly led to lower food production in Malaysia, with the self-sufficiency levels of some food items dropping (DOSM, 2020). Additionally, due to the MCOs, there were disruptions in the agriculture supply chain in Malaysia as various economic activities were forced to shut down or inter-state borders were harder to cross (Hairuddin et al, 2021).

In the early MCO phases, the main concerns from agri-food producers were marketing related as they had difficulty in selling their agricultural products. Though a majority of farmers were operating during the MCO, many lost income and capital as product prices dropped an average of 14.3%. This was compounded further by declining bulk demand from the hospitality and tourism sectors due to MCO-induced closures (Ashraf, 2020).

The restrictions brought about by the MCO also led to excessive food wastage as there were shortages in foreign workers, closure of markets and business areas, as well as problems surrounding roadblocks and road closures which caused many food products to not reach the market (Mohd Kamal, 2021). Additionally, since the MCO led to declines in bulk demand, most of the food produced was targeted for retail demand which was significantly smaller compared to the supply of vegetables available – leading to considerable wastage due to short freshness periods of foods.

The situation improved slightly in the latter half of 2020 during the Conditional MCO period (CMCO) as some restrictions were relaxed. This was reflected by an increase of agri-food producers able to resume business as usual (Hairuddin et al, 2021) and 0.9% year-on-year growth in 2Q2020 compared to the 8.6% contraction in 1Q2020 (BNM, 2020).

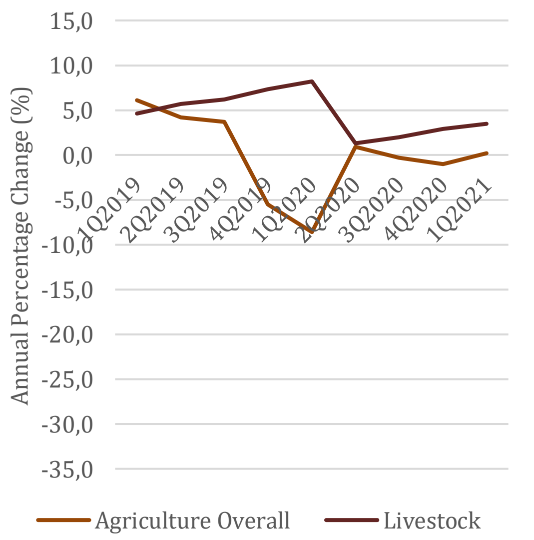
Figure 11. Malaysia's Agriculture GDP and Annual Percentage Change by Quarter (1Q2018-1Q2021)



Source: DOSM, 2021

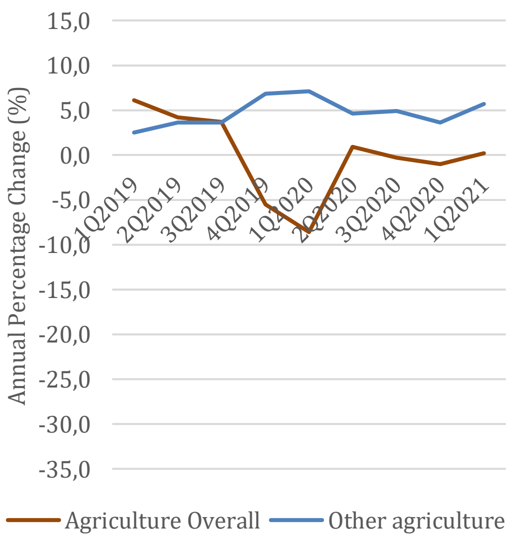
Agriculture continued to contract further for the second half of 2020, contracting 0.3% in the 3Q2020, and another 1.0% in the 4Q2020 (DOSM, 2021). This was mainly due to weak oil palm prices and labour shortages which affected harvesting activities. While there were some expansions in the livestock and other agriculture sectors, weakness in the fisheries, rubber, and logging subsectors weighed down agriculture production (BNM, 2021).

Figure 12. Malaysia's Annual Percentage Change of Livestock Subsector by Quarter from 1Q2019-1Q2021



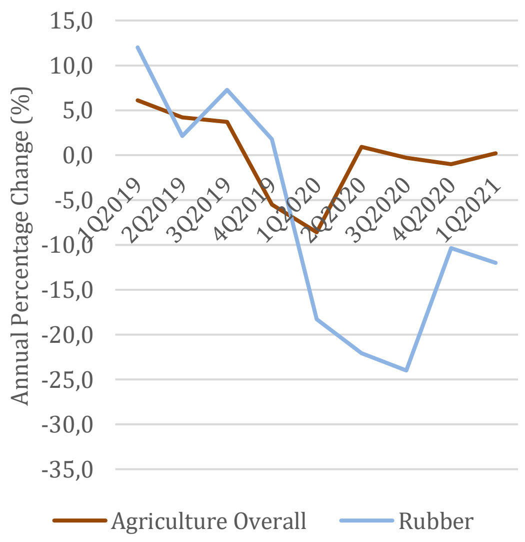
Source: DOSM, 2021

Figure 13. Malaysia's Annual Percentage Change of Other Agriculture Subsector by Quarter from 1Q2019-1Q2021



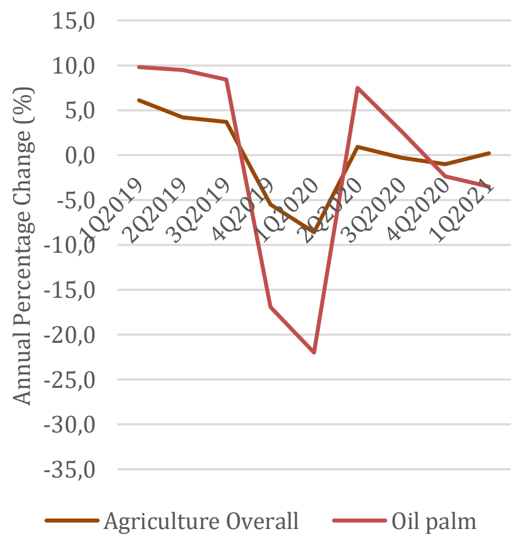
Source: DOSM, 2021

Figure 14. Malaysia's Annual Percentage Change of Rubber Subsector by Quarter from 1Q2019-1Q2021



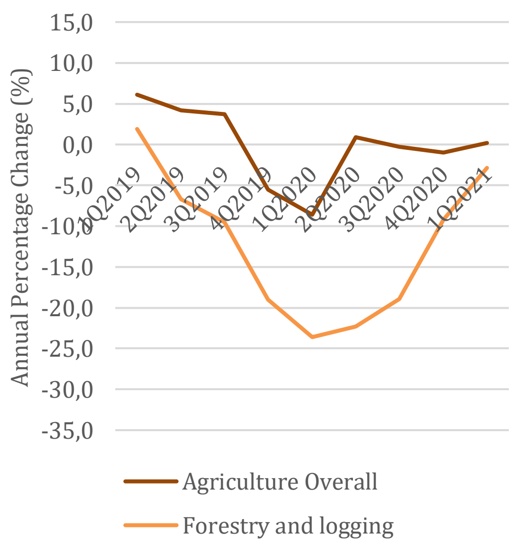
Source: DOSM, 2021

Figure 15. Malaysia's Annual Percentage Change of Palm Oil Subsector by Quarter from 1Q2019-1Q2021



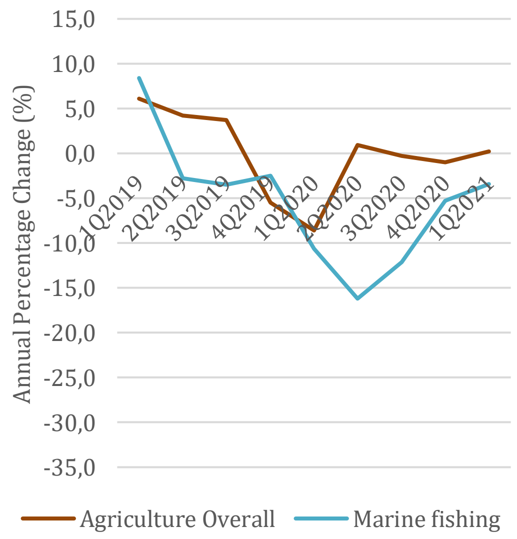
Source: DOSM, 2021

Figure 16. Malaysia's Annual Percentage Change of Forestry and Logging Subsector by Quarter from 1Q2019-1Q2021



Source: DOSM, 2021

Figure 17. Malaysia's Annual Percentage Change of Marine Fishing Subsector by Quarter from 1Q2019-1Q2021



Source: DOSM, 2021

The negative impacts of COVID-19 on the agriculture sector are even more concerning as 56% of the workers are non-standard workers who do not work full time, may not have formal employment contracts, and many are self-employed (KRI, 2020). Additionally, 90% of agricultural establishments are small and medium enterprises (SMEs) with 40% of them being micro-SMEs with less than 5 employees (KRI, 2020) making them vulnerable to the economic disruptions due to COVID-19 in this sector.

3.4.1 The Fishing and Aquaculture Sector

The fisheries industry contributed as much as RM7.5 billion (USD1.79 billion) or 0.9% to 2019 national GDP (Department of Fisheries Malaysia, DOFM, 2020). It has an estimated value RM15.26 billion (USD3.63 billion), provides employment to 126,600 fishermen, and in 2019 captured 1.5 metric tonnes of fish (DOFM, 2020). The total export value for fish and fishery products amounted to RM3.78 billion while the total import value of fresh and frozen seafood was RM4.85 billion (USD1.15 billion).

Besides its economic contribution, the fisheries sector acts as an important source of food and nutrition, generates income, as well as improves the welfare of its communities. In 2019, the amount of seafood consumed was recorded at 46.4kg/person/year with a self-sufficiency level (SSL) of 93%.

Malaysia's fisheries sector is dependent on global trade and global demand. Thus, the border closure of several countries severely impacted import and export activities, leading to a drop in earnings from this sector. This then trickled down to fishermen and those in the aquaculture, severely affecting their incomes.

Meanwhile, domestic demand of fisheries products also faced a sharp decline as the MCO shut down restaurants, hotels, and other tourists attractions. Moreover, around 33% of workers in Malaysia's fisheries sector were reported to have lost their jobs in 2020 due to the slow demand of fish and fish-related products.

The lack of demand from traders also increased the cost of care and management of the aquaculture livestock causing some operators to experience financial constraints and file for bankruptcy (Hairuddin et al, 2021). Compounding this with competition in the marine fisheries sector as well as roadblocks causing disruptions in the supply of livestock to markets have led to the difficulties faced by aquaculture operators during the pandemic.

3.4.2 The Palm Oil Subsector

COVID-19 impacted the palm oil subsector with labour shortages as well as reduced international demand for palm oil due to lockdowns in major markets such as China (Ashaari et al, 2021). The new norms of eating at home following lockdowns led to more consumers opting for other oil alternatives as well as the limited operations of palm oil led to a drop in domestic demand for palm oil (Hashim et al, 2021).

Since the palm oil sector hires mostly foreign workers, the closure of international borders has led to labour shortages in the industry – up to a 30% drop in supply reaching 40-year lows (Mohd Kamal, 2021). Up until April 2020, around 337,000 migrant workers (80% of the workforce) worked on Malaysian plantations, thousands of them flew home during the pandemic while Malaysia closed its borders and stopped issuing new work permits which led to a shortage of labour (Reuters, 2020).

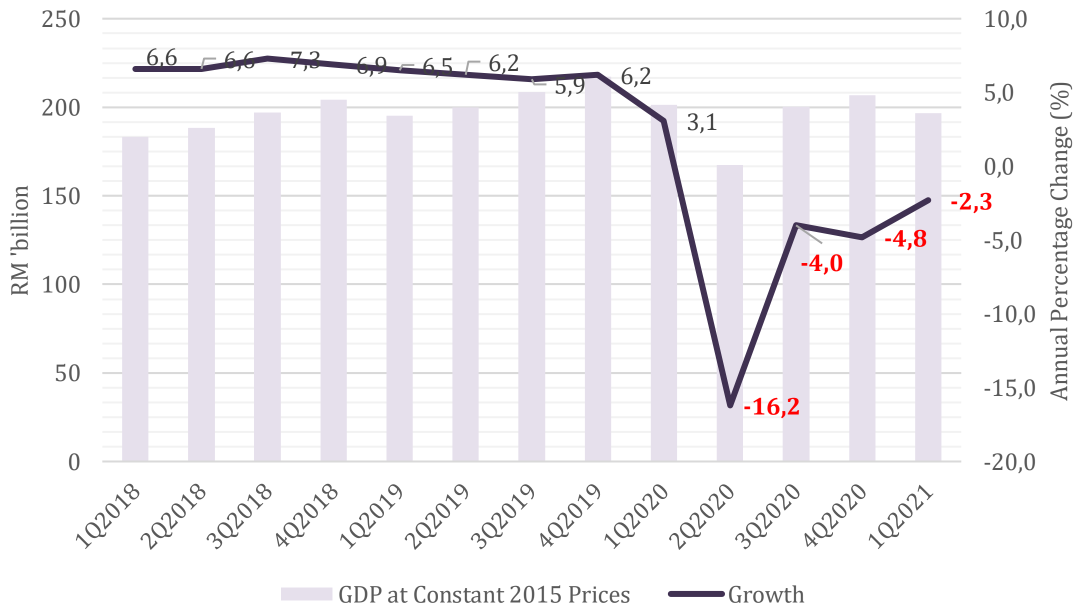
Some palm oil plantations experienced job losses due to social distancing, self-isolation, and travel bans (Ashaari et al, 2021). Sabah, one of the largest palm oil producing states in Malaysia, had its operations stopped in six districts with a potential loss of 20% in monthly national production of palm oil (Ashaari et al, 2021). Some plantations were able to maintain output with minimal disruption via 'closed site' production whereby workers' movement was restricted to the plantation area and be subjected to regular COVID-19 testing (Palm oil producer, personal communication, 23 July 2021).

The temporary and permanent closures of palm oil operations as well as the increasing cost to hire palm oil workers during the labour shortage caused the production costs of palm oil to increase (Reuters, 2020). This as well as international suspicion of Malaysia using forced labour, could lead to more long-term impacts to Malaysia's palm oil industry as well as those engaged in the sector.

3.5 COVID 19-Restricted Services

The services sector was significantly affected by nationwide implementation of the MCO with only "essential services" allowed to operate; and even then, at limited capacity and the legal definition of essential services did not necessarily equate to the services sector as such (see 1.2.2). The sector contracted by 16.2% (y-o-y) in 2Q2020 (BNM, 2020), when the lockdown was at its strictest.

Figure 18. Malaysia's Services GDP and Annual Percentage Change by Quarter from 1Q2017-1Q2021

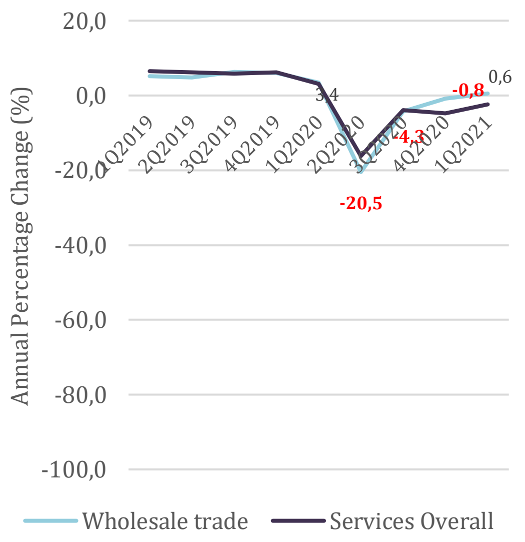


Source: DOSM, 2021

Malaysia's services sector makes up 57.8% of the country's GDP and employs around 61% of the labour force (DOSM, 2020). The bulk of employment is in the wholesale and retail trade, food and beverage, as well as accommodation – in 2019 totalling 2.8 million people engaged in the subsector either as employed workers, working proprietors, business partners, or unpaid family workers (DOSM, 2020).

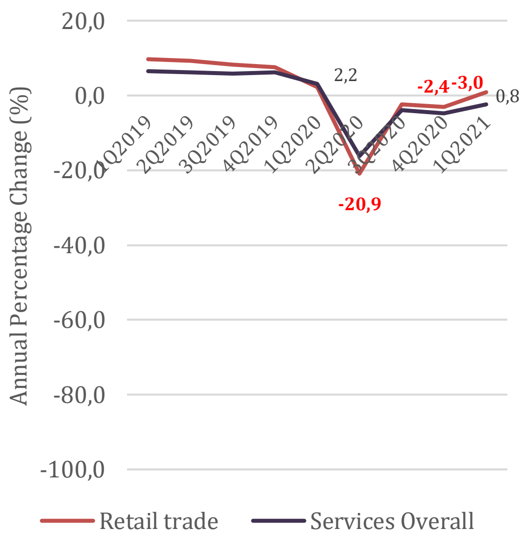
Substantial impact was seen in the revenue of the wholesale and retail trade (-22.6% or -RM 74.3 billion (-USD17.7 billion)), food and beverages spending (-32.6% or -RM5.7 billion) and accommodation sub-sectors (-82.6% or -RM2.8 billion (-USD667 million)) (DOSM, 2020). These subsectors also happen to be where most Malaysians involved in services are employed, underlining the severe impact of COVID-19 on the economy.

Figure 19. Malaysia's Annual Percentage Change of Wholesale Trade Subsector by Quarter (1Q2019-1Q2021)



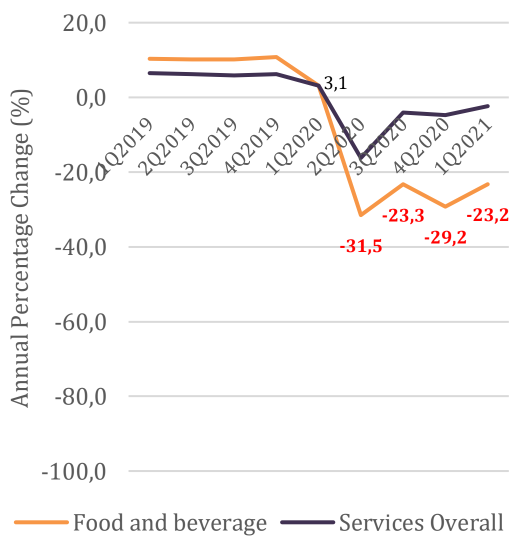
Source: DOSM, 2021

Figure 20. Malaysia's Annual Percentage Change of Retail Trade Subsector by Quarter (1Q2019-1Q2021)



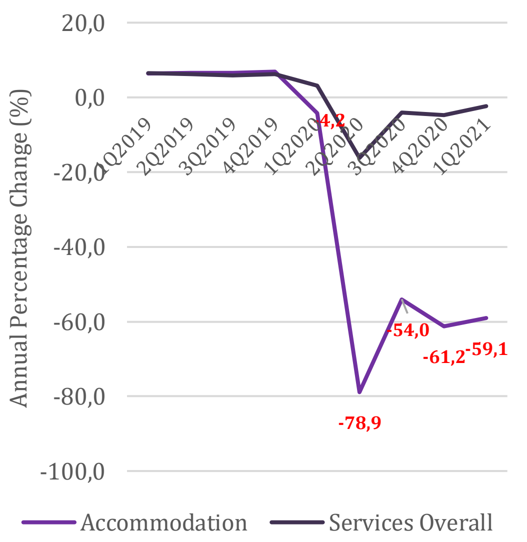
Source: DOSM, 2021

Figure 21. Malaysia's Annual Percentage Change of Food and Beverage Subsector by Quarter (1Q2019-1Q2021)



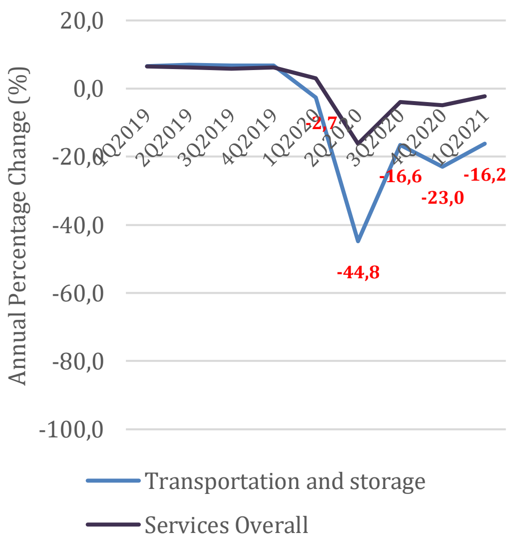
Source: DOSM, 2021

Figure 22. Malaysia's Annual Percentage Change of Accommodation Subsector by Quarter (1Q2019-1Q2021)



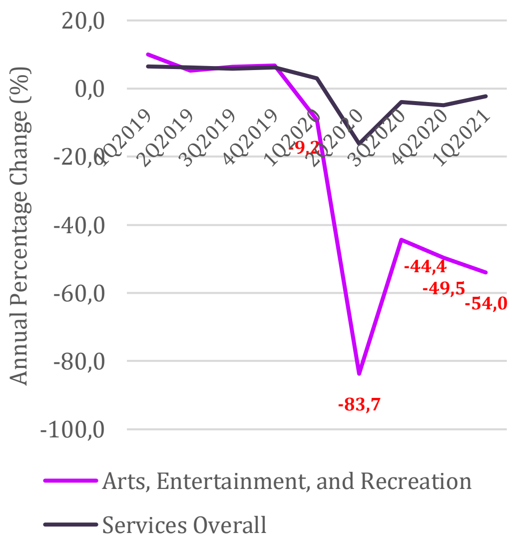
Source: DOSM, 2021

Figure 23. Malaysia's Annual Percentage Change of Transportation and Storage Subsector by Quarter (1Q2019-1Q2021)



Source: DOSM, 2021

Figure 24. Malaysia's Annual Percentage Change of Arts, Entertainment, and Recreation Subsector by Quarter (1Q2019-1Q2021)



Source: DOSM, 2021

The transport and storage subsector were also severely impacted - with a year-on-year contraction of 44.8% at 1Q2020 (DOSM, 2020) - due to the sudden stop in both inbound and domestic tourists as well as domestic and international travel restrictions and border closures (BNM, 2020). Meanwhile, closure of non-essential services during the MCO most likely led to the 83.7% contraction in the Arts, Entertainment, and Recreation subsector (DOSM, 2020).

However, the finance and insurance subsectors experienced growth supported by sustained financing and higher net-insurance premiums (BNM, 2020). Additionally, continued demand for data communication services contributed to growth in the Information and Communication subsector (DOSM, 2021).

Lockdown relaxation to the Conditional MCO (CMCO) in May and later the Recovery MCO (RMCO) in June provided some relief to service businesses, reflected by a substantial recovery in the service sector by 3Q2020 which recorded a smaller contraction of 4.0% though it took another dip of 4.9% by the end of due to stricter Standard Operating Procedures.

3.5.1 Tourism and Hospitality

In 2019, Malaysia's tourism sector made up 15.9% of total GDP, bringing a total of RM86.14 billion (USD20.5 billion) and 26.1 million tourists (Tourism Malaysia, 2020). Tourism is the third-largest contributor to national GDP, after the manufacturing and commodities sector.

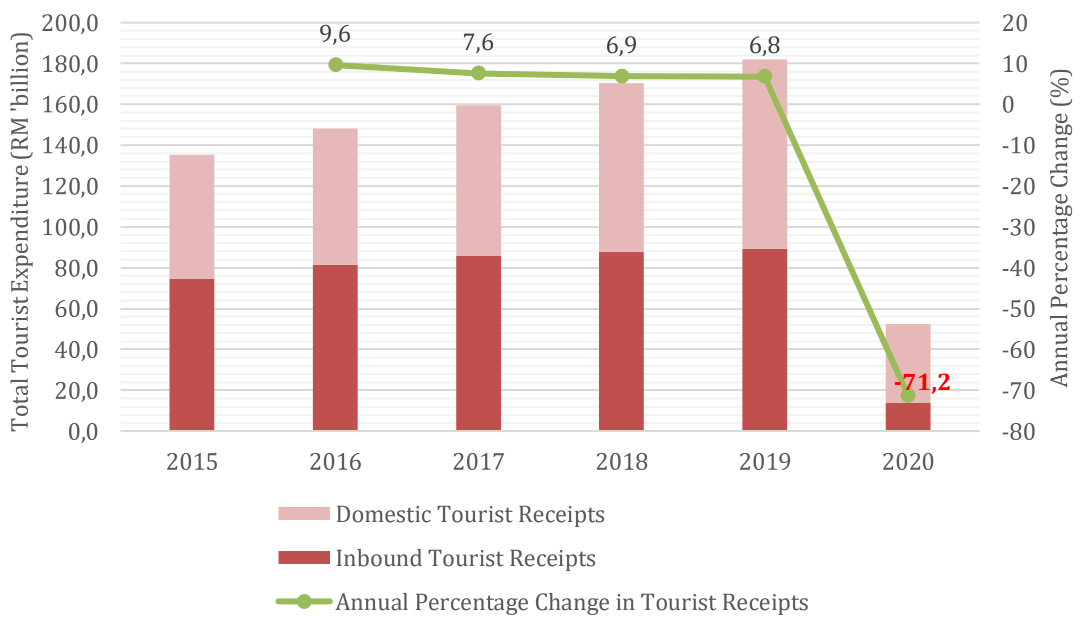
Malaysia's top international tourist arrivals for 2019 included: Singapore (10.1 million), Indonesia (3.6million), China (3.1 million), and Thailand (1.8 million) (Tourism Malaysia, 2020). Meanwhile, countries such as Brunei, India, South Korea, Japan, the Philippines, and Vietnam were among the top 10 international tourist arrivals. The majority of tourists were from Asian countries with significant growth among South Asian tourists (Tourism Malaysia, 2020). Capitalising on this growth, in 2018 Malaysia began actively working towards the 'Visit Truly Asia Malaysia 2020' campaign that was cancelled once borders began closing internationally and domestically.

The closure of non-essential businesses during the MCO led to the shut-down of all tourism-related businesses as the government cleared all tourist sites, closed museums, and cancelled several high-profile events.

While hotels were closed for tourism-related purposes during the MCO period, some hotels began taking on new roles. There were hotels who showed appreciation to the medical frontliners battling the pandemic by welcoming them to rest at their premises for free (Norhanim, 2021). Most notably, the Malaysian government gazetted 63 hotel premises as quarantine centres - including several 5-star establishments (Norhanim, 2021).

The selection of commercial accommodations as quarantine centres helped generate income for the lodging industry (Bernama 2020) as well as enabled hotels to resume their operations during the MCO. However, as COVID-19 continued to spread and the MCO kept being extended throughout 2020, the situation remained unfavourable for the hotel industry overall with several hotels closing for good (Norhanim, 2021). Meanwhile, by mid-2020, 2,041 hotel industry workers were laid off, 5,054 faced pay cuts, and 9,773 faced unpaid leave (Malaysian Association of Hotels, 2020).

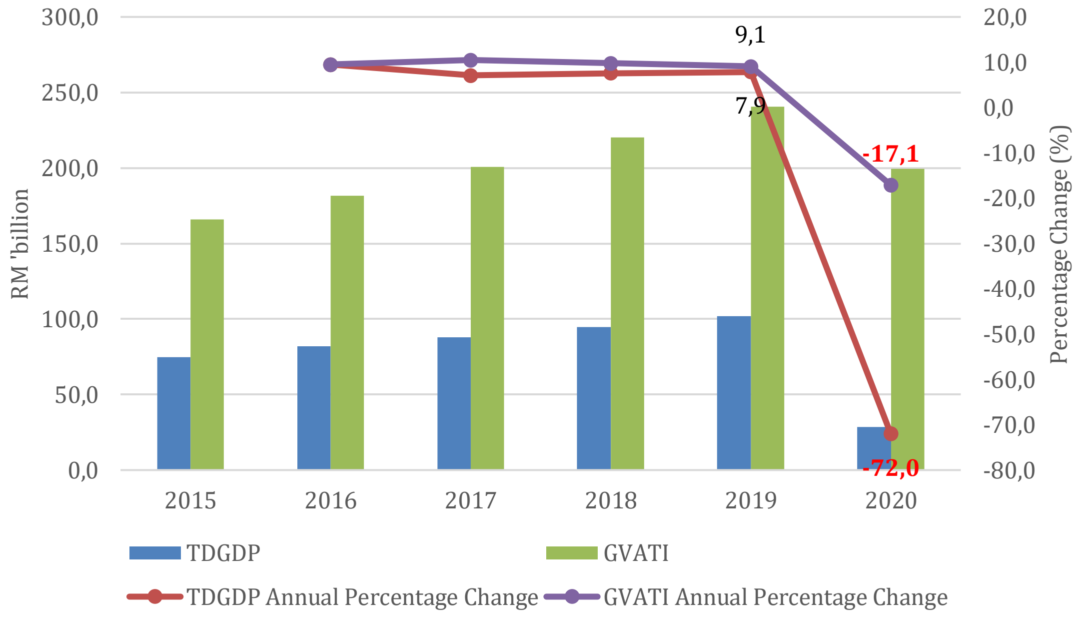
Figure 25. Malaysia's Tourist Receipts and its Annual Percentage Change from 2015-2017



Source: DOSM, 2021

By the end of 2020, tourism receipts declined by a total of 71.2%, recording only RM52.4 billion (USD12.5 billion); out of which domestic tourism contributed RM38.6 billion (USD9.19 billion) of total receipts while inbound tourism brought only RM13.7 billion (USD3.26 billion) (DOSM 2021). Inbound tourism in Malaysia decreased by 83.4%, the worst fall in the country's tourism history – four times worse than the drop in 2003 due to the Severe Acute Respiratory System (SARS) outbreak (DOSM, 2021).

Figure 26. Malaysia's TDGDP, GVATI, and its Annual Percentage Change from 2015-2017



Source: DOSM, 2021

Tourism Direct Gross Domestic Product (TDGDP) shrunk by 72.0%, while gross value added of tourism industries (GVATI) had negative growth of 17.1% since it was supported by non-tourism activities such as retail trade, which in 2020 comprised 55.0% of domestic tourist receipts (DOSM, 2021). Growth performance in the travel agencies and the accommodation services tourism subsector had a decreased growth of 66.7% and 54.6% respectively (DOSM, 2021). Meanwhile, employment in the tourism industry contracted by 2.9% in 2020 (DOSM, 2021).

The uncertainty surrounding the development of COVID-19 led to a focus on generating more domestic tourism. Malaysia's Minister of Tourism, Arts, and Culture carried out a stimulus recovery plan which saw partnerships with the Malaysian Association of Hotels (MAH) to promote holiday and hotel packages (Tourism Malaysia, 2020). Tourism Malaysia also drew out plans to collaborate with industry players in the service and transportation segments to induce demand for inter- and intra-state travel as well as having the 'Cuti-Cuti Malaysia' (Holiday in Malaysia) campaign with the cooperation of local and regional airline companies to increase connectivity to holiday destinations within the country (Tourism Malaysia, 2020).

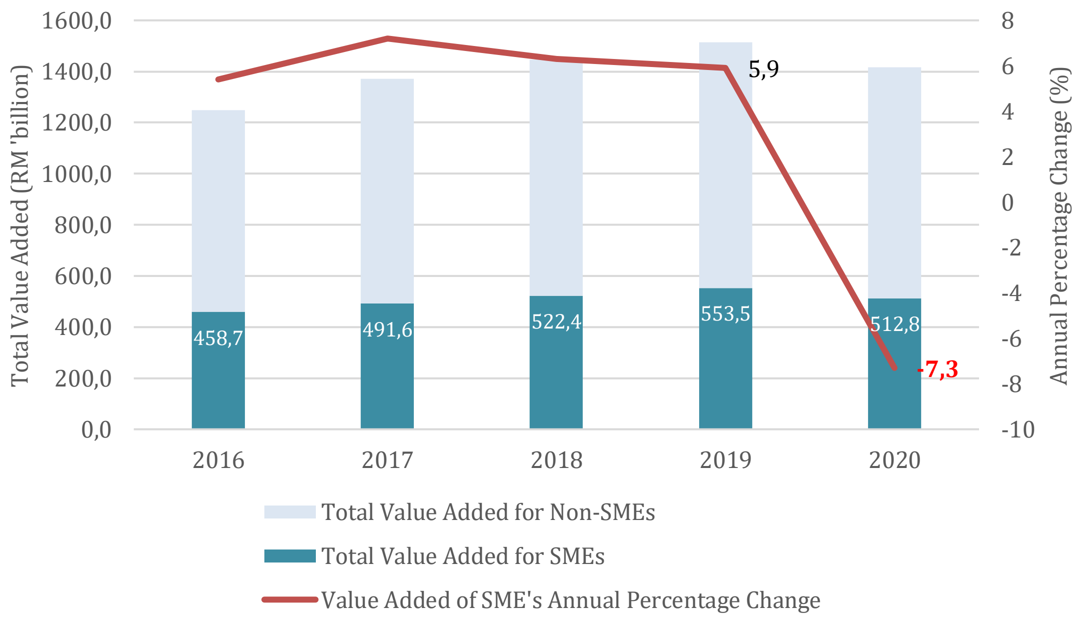
The turn to domestic tourism to help offset the fall in international arrivals was also reflected in the stimulus packages, particularly PENJANA which had measures including personal income tax relief of up to RM1,000 (USD238) for domestic travel as well as digital vouchers of up to RM100 (USD24) per person for domestic flights, rail travel, and hotel accommodation (PENJANA, 2020).

3.6 Malaysia's Small and Medium Enterprises' Struggles

SMEs contributed 38.2% of Malaysia's GDP in 2020, or RM512.8 billion (USD122.1 billion), falling from 38.9% in 2019. SMEs contribution to 2020 GDP contracted more (-

7.3%) than non-SMEs (-4.6%) reflecting the hardships and challenges presented by lockdown to SMEs (DOSM, 2021g). Within a week of the first MCO, 70% of SMEs reported a 50% drop in business.

Figure 27. Total Value Added for Malaysia's SMEs and its Annual Percentage Change from 2016-2020



Source: DOSM, 2021

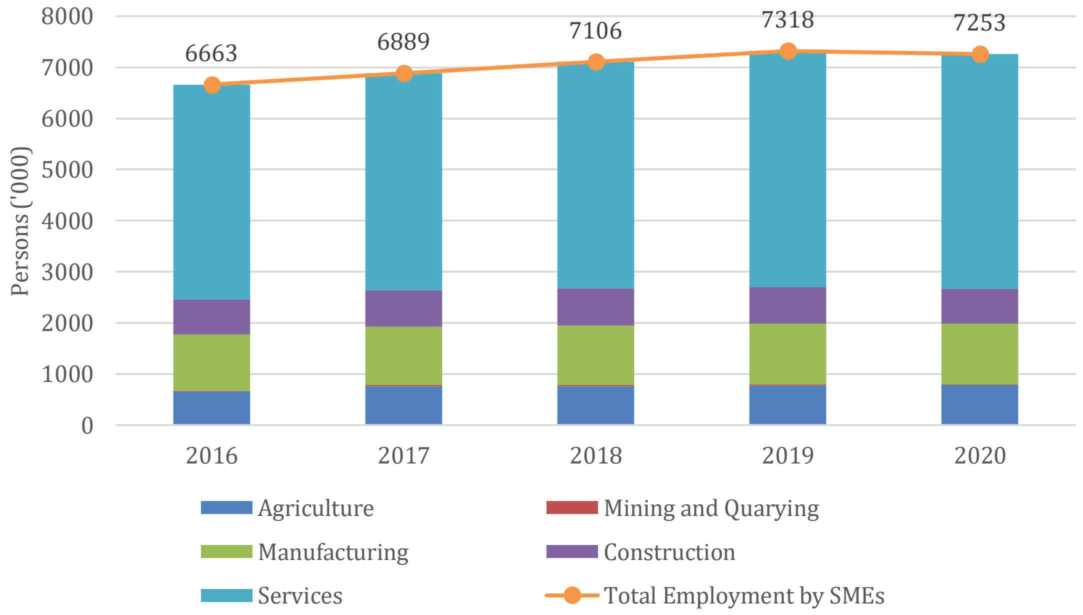
Meanwhile, physical restrictions boosted digital businesses, online non-food shopping increased by 53%, online grocery shopping by 144%, and online food delivery by 61% (Tong and Gong, 2020). Despite the growth in these online subsectors, total losses experienced by the SME sector in 2020 amounted to RM40.7 billion (USD9.69 billion), according to the Ministry for Entrepreneur Development and Cooperatives (MEDAC) (MEDAC, 2021).

In 2020, SMEs employed 7.25 million people (a decline of 0.9% or 65,000 people compared to 2019 (7.32 million). SMEs are a major contributor to employment, especially private sector employment, representing 48.5% of all employment in Malaysia in 2020 (down from 48.6% in 2019).

Agriculture was the only SME sector to register a small positive increase (0.5%) in employment in 2020. Within Manufacturing, two sub-sectors posted an increase which were the Petroleum, chemical, rubber and plastic products (1.5%) and Food, beverages and tobacco (1.0%) sub-sectors. All Services sub-sectors posted a decline in 2020 except for Finance, insurance, real estate and business services sub-sector which increased 0.5%.

According to the Small and Medium Enterprises Association of Malaysia (Samenta), since the start of the pandemic until mid-2021, at least 150,000 SMEs shut, resulting in 1.2 million job losses (SCMP, 2021). In 2020, there were 1,151,339 SMEs in Malaysia, representing 97.2% of overall business establishments, meaning around 13% may have folded during the pandemic (SME Corp, 2021).

Figure 28. Total Employment by SMEs in Malaysia by Sector from 2016-2020



Source: DOSM, 2021

Based on a survey conducted by MEDAC after the third lockdown began in June 2021, 580,000 businesses, representing 49% of SMEs, were at risk of failing by October if they were not allowed to reopen by then. At the time of writing, lockdowns remained largely in place by September 2021. At-risk businesses are those 'first to close, last to open' providers of non-essential products and services. The survey also revealed that over 70% of entrepreneurs are in the bottom 40th income percentile, with little savings and no employment benefits. More than 90% of these have no insurance, and 70% have no safety nets to fall back on should they lose their jobs (MEDAC, 2021).

More worryingly, the survey conducted by the ministry found that one-third of the 6,664 respondents surveyed did not receive the various aid measures announced by the government (Free Malaysia Today, 2021).

3.6.1 SME Digitalisation

In theory, movement restrictions could have been expected to drive business digitalisation. In 2015, only 29% of local businesses had an online presence while just 5.2% had engaged in e-commerce, according to the World Bank Group. An August 2020 survey by the SME Association of Malaysia revealed that only 26% of local small and medium enterprises (SMEs) had chosen digitalisation or e-commerce platforms as their strategy to survive post-pandemic. Around a quarter of the respondents said they would restructure their companies while another quarter said it would be business as usual.

However, by July 2020 one survey found that only 25% of Malaysian organisations accelerated their digital transformation plans because of the pandemic, while 60% slowed down (The Edge, 2021c).

The PENJANA stimulus package offered RM700 million (USD166.7 million) in the form of a SME Digitalisation Matching Grant, SME Technology Transformation Fund and Smart Automation Grant. In addition, RM200 million (USD47.6 million) was allocated for the newly introduced Small Entrepreneur Digital Empowerment Programme (PUPUK) under the PEMULIH stimulus package to assist micro-SMEs and RM100 million (USD23.8 million) for SMEs (DOSM Labour Market Review Second Quarter, 2021).

One-third of SMEs may not have received any of the new aid programmes, and SME bodies have decried barriers of bureaucracy. Out of 20,000 potential recipients for a RM5,000 (USD1,191) financial aid programme announced in 2020, only 5,000 had received aid by February 2021. Some SMEs had applied for aid in April 2020 but had not received any by December 2020 (The Edge, 2021c).

3.7 International Trade During the Pandemic

International trade plays a key role in the Malaysian economy. In 2019, Malaysia's trade to GDP ratio stood at 123.0% (DOSM, 2020). Malaysia's main exports in 2020 were electrical and electronics (39.3% export share; re-exports contributed 25.2% of total E&E exports) followed by commodity-based products, especially palm oil and palm oil-based products (7.5%), refined petroleum products (5.5%), crude petrol, and rubber products (DOSM, 2020).

While Malaysia ended 2020 with a positive trade balance of RM183.3 billion (USD43.7 billion), on account of a higher contraction in exports compared to imports its trade balance recorded a deficit of RM3.5 billion (USD833.7 million) in April 2020 after 269 consecutive months of surplus (MATRADE, 2020).[5]

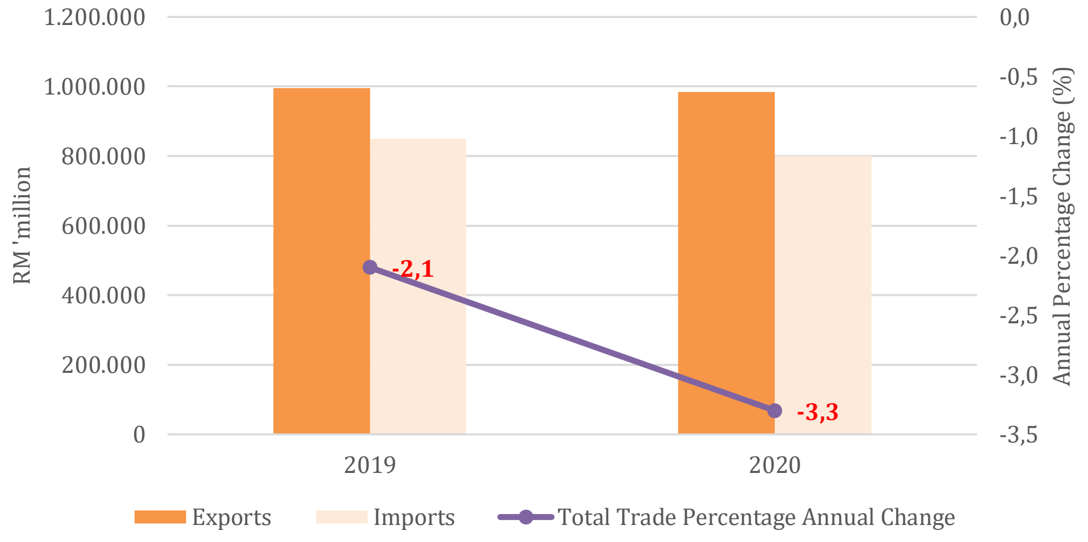
China, Singapore, and the United States (US) remained Malaysia's top three trading partners in 2020 with a total contribution of 40.7% (2019: 38.4%). Despite disruption due to the pandemic, Malaysia's trade with China and the US increased, while trade with Singapore decreased 4.7%. Trade with China amounted to RM331.4 billion (USD78.9 billion) (share: 18.6%), increasing 4.7% on the back of exports growth of 13.0% while imports declined by 2.0%. Trade with China was significantly impacted in the first quarter of 2020 with a fall of 2.3%, owing to a decrease in exports and imports of 2.5% and 2.1%, respectively (DOSM, 2021).

In 2020, Malaysia's goods trade declined 3.3% compared to a 2.1% decline in 2019. Exports and imports declined 1.1% to RM983.8 billion (USD234.3 billion) and 5.8% to RM800.5 billion (USD190.7 billion), respectively. The fall in exports was contributed mainly by domestic exports which declined 2.9%. Conversely, re-exports increased 7.6%. The drop in Malaysia's trade performance was observed mainly in the second quarter of 2020 with exports and imports contracted by 14.9% and 13.9%, respectively (DOSM, 2021).

In 2Q2020, gross exports declined by 14.3% due to weaker growth in both manufacturing and commodities related export (BNM, 2020). While E&E exports did contract by 9.5% in 2Q2020 amid lower exports to key trade partners, the double digit decline of 14.1% in non-E&E exports led to a contraction of 12.1% in manufactured exports. Lowering export growth further was a 24.7% decline in commodities exports due to the sharp contraction in mineral exports (BNM, 2020).

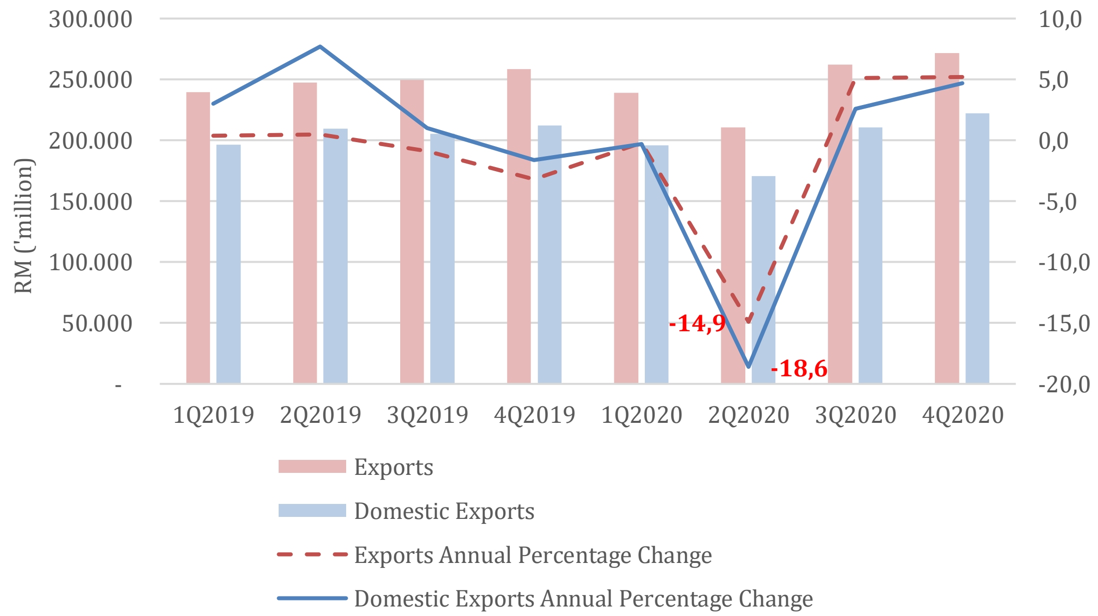
[5] https://www.matrade.gov.my/en/for-foreign-buyers/industry-capabilities/trade-statistics/181-malaysian-exporters/trade-performance-2020/5101-trade-performance-april-2020-and-january-april-2020

Figure 29. Total Malaysian Exports and Imports and its Total Trade Annual Percentage Change from 2019-2020



Source: DOSM, 2021

Figure 30. Total Malaysian Exports and Domestic Exports by Quarter and its Percentage Change from 1Q2019-1Q2020



Source: DOSM, 2021

Malaysia's export performance in 2Q2020 was mainly affected by global COVID lockdowns, resulting in global supply chain disruptions, lower demand from key trade partners, and weaker commodity prices (BNM, 2020). Worldwide, the COVID-19 pandemic affected the growth and development of the world shipping business reflected by a significant depletion in world shipping activities between March to June 2020 when movement restrictions were strictest (Millefiori et al, 2020).

Malaysia’s own MCOs also led to disruptions of transportation networks, encompassing the ports and shipping sector, rail, air, and trucking industries (Loske, 2020). Malaysia’s strategic location on the Straits of Malacca has led it to rely on shipping to facilitate a large portion of its trade (Mohd Zaideen, 2019).

The pandemic showcased Malaysia’s deficiencies in handling port efficiency and hinterland connectivity in the face of crisis. Worker shortages led to interruptions in transits, delays, and accumulation of cargo at both the origin and destination ports (Menhat et al, 2020). There were also issues with cargo congestion at ports due to closure of warehouses as well as restricted movement of non-essential goods during the MCOs exacerbating port disruptions and interrupting international trade links (Menhat et al, 2020).

Malaysia’s trade activities improved in 2H2020, growing 4.4% in 3Q2020 and 5.1% in 4Q2020, following higher external demand from key trade partners and domestic manufacturing activities (BNM, 2020). Manufacturing exports continued to grow in the last two quarters of 2020, recording 6.8% expansion y-o-y in 3Q2020 and a further 7.6% in 4Q2020 (DOSM, 2020). However, commodities exports continued to decline for the remainder of 2020, though at much lower severity.

The growth in manufactured exports were primarily driven by positive E&E exports, rebounding as high as 16.0% in 3Q2020, and smaller declines in non-E&E exports (BNM, 2020). The easing of MCO restrictions in June 2020 supported E&E firms in fulfilling backlogged orders, highlighting the influence of the lockdowns on Malaysia’s manufacturing and export activities.

4. Lessons Learned From the COVID-19 Pandemic

4.1 Overview

Malaysia has valuable lessons to teach other countries about how to manage a pandemic and how not to. Scientists have for years been warning that the world is unprepared to face a pandemic, and they have been proven right with very few exceptions. The COVID-19 pandemic has been a massive stress test of countries’ systems of public health, public finance, leadership, coordination, the capacity to absorb evolving scientific information and translate it into actionable policy, their ability to be consistent and sustain momentum, and their ability to avoid discounting the future in the face of immediate pressures.

These stresses stem from the novel nature of the virus and the difficulty which our naïve immune systems and social systems experience in adapting to its challenge (Morris, 2021). The epidemiological/immunological nature of COVID-19 – its infectivity, delayed symptomatic onset, and symptomatic severity – make it a disease that is highly punishing towards policy missteps, state capacity shortages, and vaccine inequity. The increased infectivity of the Delta and Omicron variants further punishes policy failures and state capacity shortages. Variants of concern were themselves the product of policy failures since they were allowed to mutate and spread within several countries often due to populist decisions. International policy failures such as global vaccine inequity have only sharpened in country failures.

Vaccines have given those able to access them a chance to adapt our immune systems without enduring the ordeal of achieving natural immunity, but global access to vaccines has been woefully inequitable, reflecting inequalities of wealth, power, and productive capacity existing prior to the pandemic. Likewise, Malaysia came to the pandemic with a mix of capabilities and weaknesses that were laid bare.

4.2 Lesson 1: Don’t Squander a Successful Lockdown, Prepare for the Worst

Despite a newly formed government with many unseasoned ministers, the first lockdown was a success, saving lives and buying time for the health service to scale up its capacity and preventing hospitals from being overloaded (Fifa, 2020). The skill and strength to wield the initial hammer blow on the second wave was not matched by sufficient scaling up of testing and tracing capacity to prevent or suppress additional waves. Instead, testing deficiencies have left lockdowns as the principal public health measure, belatedly complemented by vaccines.

There is now arguably too much expectation placed on vaccines to deliver a solution when those other fundamental public health measures still need to be strengthened and early hopes of “herd immunity” have been dashed by the increased infectivity of the Delta variant (Aschwanden, 2021).

Multiple hammers and not enough dance have set back economic recovery and placed increasingly greater burdens on both the health system and fiscal response. Countries not only need to get it right the first time, but they also need to ward off complacency and prepare for multiple waves.

It is false to draw a stark dichotomy between lockdowns and a laissez-faire “herd immunity” approach. It is not a choice of either/or, there is a spectrum of competency and incompetency. Lockdowns can be implemented to varying degrees of efficiency depending on the competency and agility of government (dance should follow hammer). Likewise, laissez-faire approaches based on a flu model can vary from Sweden which had harsh impacts on elderly mortality (Brusselaers, 2022) or a Johnsonian strategy in Britain which exhausted the National Health Service and led to avoidable deaths in social care (House of Commons, 2021).

4.3 Lesson 2: Absorption of Science Determines the Frontier of Policy

The novelty of SARS-CoV-2 means that scientific knowledge has been evolving and mobile. The inability to absorb the latest science means that policy governing economic activities is being made based on a framework designed for infectious diseases or security crises that do not match the dynamics of COVID-19. SOPs designed with the level of knowledge in 2020 should be revisited and reviewed in 2021 and beyond in line with scientific advances in knowledge.

Assessing and adopting the latest scientific findings can allow economic and social activities to resume with greater safety since understanding the aerosol-based nature of SARS-CoV-2 transmission clarifies which measures are effective or not. Masking is effective. Ventilation is effective. Indoor unmasked dining carries risks. Disinfecting streets in infected areas is useless. Malaysia waited until mid-2021 for the WHO to make a cautious statement on the aerosol spread of SARS-CoV-2 and it has still not fully pursued the policy gains from these findings for workplace ventilation. Had the government established an expert system to independently review, assess, and adopt the best in science, ventilation measures could have adopted as early as late 2020.

This could have allowed a greater proportion of the services sector to safely resume activity. Whereas services contributes 57.8% of GDP and has a high labour participation of Malaysians, permission to operate during lockdowns was largely skewed towards the manufacturing and construction sector who contributed far less to GDP, and far more to foreign employment as well as cases and clusters. The incidence of cases in those two sectors could likewise be reduced with better workplace and housing conditions. Why were construction and manufacturing allowed greater freedom to operate than services? This would require further research but the answer may lie in the fact that the services sector is less concentrated and has less organised representation to government than the other two.

4.4 Lesson 3: Political Wild Cards Require Effective Government to Compensate

Malaysia has gone through four changes of government in as many years. This is certainly exceptional. Unstable politics and SOP double standards during and following the Sabah state election accelerated a third wave that the public healthcare system was unprepared to cope with. Wary of repeating this, the National Vaccination Programme accelerated vaccine rollout in the state of Sarawak ahead of constitutionally mandated state elections in August 2021. Public health measures had to race against politics in spite of limited capacity.

The declaration of Emergency may have prevented a general election from occurring in early 2021, but elections are not the only way to change a government as Malaysians were to discover later in 2021. The Emergency postponed the political demise of the first PN government, while shaking confidence in its stability. In 2020, the then new PN government faced questions about its legitimacy, and this may have tempted it declare and celebrate victory over COVID-19 prematurely, leaving it unprepared to face the long haul of pandemic management.

4.5 Lesson 4: When in Doubt and in Need, Go Big with the Fiscal Response

The inadequacy of the fiscal response has been borne out in the economic data reviewed above. The 2020 contraction and the muted growth projected for 2021 are the result of both insufficient spending and repeated reliance upon lockdowns without sufficient complementary public health reforms. It is tempting to argue that recovery demanded spending enough to return Malaysia not only to pre-pandemic growth levels, but the pre-pandemic growth trajectory itself. However, this may understate the policy environment of fiscal orthodoxy and inexperience within a new government.

The fiscal challenge faced by the present generation of policymakers would not have been as great had public healthcare been adequately funded by previous governments. The neglect, according to the Director-General of Health, is decades-long (Malaysiakini, 2021). The small size of Malaysia’s tax base has also been decades in the making and a function of the mediocre wage outcomes of its industrial policy. The first lockdown further diminished tax revenue by virtue of reduced economic activity. The debt burden from the 1MDB scandal had already pushed Malaysia close to its self-imposed debt ceiling.

These factors may have constrained the government's stimulus measures, but similar factors have constrained other countries, and it has not stopped countries as diverse as the Philippines and US, Indonesia and the UK, from adopting unconventional monetary and fiscal measures to address the exceptional nature of the crisis (IMF, 2021). Exceptional times demand exceptional measures. Exceptional measures demand leadership.

The government, however, does have to take full responsibility for remaining committed to fiscal consolidation amidst an exceptional crisis. Countries worldwide are experiencing credit pressure and Malaysia is no exception. Around three quarters of Malaysia’s borrowing are in its own currency. The long-term debt sustainability of underspending on recovery – weakening the debt-to-GDP ratio – needs to be weighed against the costs of productive investment – which should focus on growth outstripping debt-service. This would require some articulation of longer-term plans. The delayed tabling of Malaysia’s 5-year medium-term plan and 10-year industrial master plan (both originally due in 2020) is perhaps a sign of the government’s uncertainty over its future narrative. Exceptional spending needs to be underpinned by a convincing narrative that goes beyond the well-rehearsed optimism of treasury and central bank statements.

Bolder fiscal measures may have provided the policy space to avoid accelerating the onset of the retirement crisis with the controversial populist decision to allow drawdowns of private pensions.

Besides fiscal orthodoxy, the political crisis and the government’s slender Parliamentary majority made amending fiscal ceiling laws a potentially risky venture. They were amended, but not by enough. The first PN government would not get a second chance before it fell.

Fiscal orthodoxy did push the government to innovate via legal measures to tap into one of Malaysia’s sovereign wealth funds, the National Trust Fund, KWAN as a means to finance the RM6 billion vaccination programme without further raising sovereign debt. There is a policy lesson here then that fiscal orthodoxy is not straightforwardly a policy straitjacket.

4.6 Lesson 5: In a Pandemic, Novelty Means Uncertainty. Plan For It.

The government’s economic policy appeared to have only factored in a straightforward, “V-shaped” recovery after the first lockdown. The pandemic teaches us to be more cautious. To understand the science behind the virus, keep up with it, and incorporate this into scenarios for economic planning. An approach based on “hope for the best, plan for the best” risks being unprepared for contingencies and political wild cards. Policymakers should be asking what new variants of concern mean for future budgets, vaccine expenditure, and levels of public health surge capacity. Should we assume the road to endemic COVID-19 is smooth or should we prepare for bumps?

Malaysia is at eight stimulus packages and counting. This piecemeal approach is chaotic, confusing for aid recipients, and fosters uncertainty about genuine recovery. Throughout the pandemic financial packages failed to synchronise with lockdown announcements, leading to policy uncertainty, lags in aid disbursement, and impacted business performance. In the future, relief packages should be prepared and queued for disbursement well in advance of major policy announcements. They should be announced simultaneously to minimise friction.

Regulatory caution and delays, and supply difficulties meant that the vaccination programme has had to race against the swelling of the fourth wave in order to keep down deaths and hospitalisations.

That Malaysia has had vaccines at all should not go unappreciated, most countries do not. The decision to finance and pursue a portfolio of vaccines has helped mitigate supply and regulatory problems faced by different brands. Financing vaccine purchases via the National Trust Fund may have been controversial, but it was an exceptional measure taken under relative orthodoxy that has ensured that orders could be placed, and lives protected when the need was greatest with the fourth and largest wave to date.

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