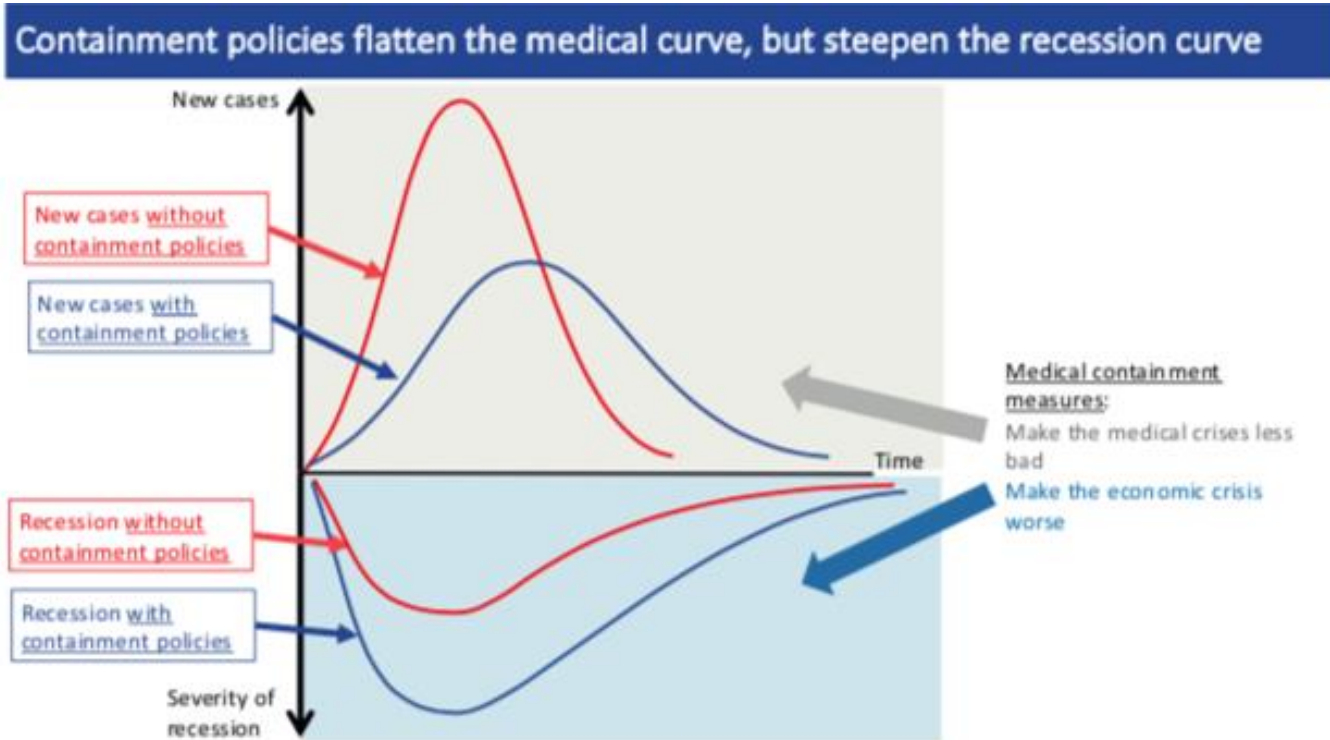


Bracing for Impact: Economic Turbulence in the times of Covid-19

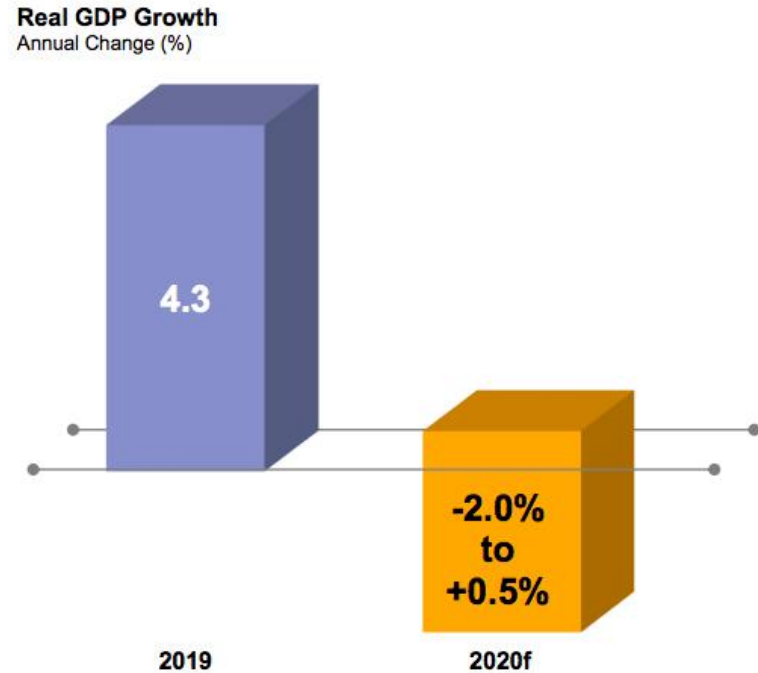
By Ivy Kwek (Research Director, REFSA)

Flattening the Pandemic and Recession Curve



Global Recession is on the horizon

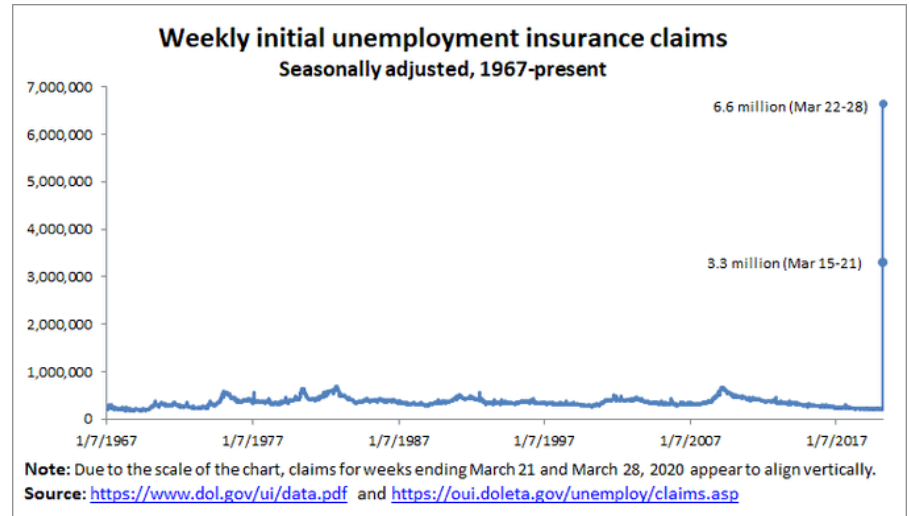
- IMF: Impact at least as bad as GFC in 2009, expected recovery in 2021 (some said it can take up to 2 years)
- It's a global phenomena, can't export our way out
- Malaysia's GDP growth forecast expected to be between 0.5% to -2.0% (BNM Annual Report 2020)



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

Many jobs might be lost

- 10million people filed for unemployment benefit in the US in the past two weeks
- 2.4million Malaysians might lose their jobs (MIER)
- The workers in non-essential sectors, daily wage workers, those in gig economy and young people will be particularly worst hit.
- SOCSO reported nearly 40% of yoy increase of Loss of Employment



PRIHATIN Stimulus Package - No one left behind?

- RM25billion out of RM250billion is direct cash injection
- Focussed on targeting at the household levels (Bantuan Prihatin Nasional)
- RM600 wage subsidy (total: RM5.9b) are not sufficient for employers to retain their workers.
- 40% of SME said not enough cash flow to last till end of April. (SMEs made up of 98.5% of Malaysian businesses and employs 65% of Malaysian labour force)
- No assistance so far announced for gig workers (except one-off RM600 for taxi and Grab drivers). Not included under Employee Insurance Scheme [Word Bank estimate: Gig economy made up 26% of Malaysian total economic growth]

	Malaysia	Singapore	United Kingdom
Workers	<ul style="list-style-type: none"> ● RM600 wage subsidy for each workers earning less than RM4000/month for 3 months for businesses that report 50% losses ● Increased training cost (from RM4,000 to RM6,000) for retrenched workers under Employee Insurance Scheme ● Withdrawal of EPF for RM500 per month for 12 months 	<ul style="list-style-type: none"> ● Enhanced Jobs Support Scheme for 9 months - 25% for each employee (up to \$4600 per person); 50-75% for highly impacted industries ● Enhanced Wage Credit Scheme - \$500m ● \$800 per month for 3 months for those who lost their jobs, with a temporary relief fund for those who require immediate assistance 	<ul style="list-style-type: none"> ● A grant worth 80% for furloughed employees of their monthly salary, for three months up to up to £2,500
Self Employed persons	<ul style="list-style-type: none"> ● One off RM600 for taxi drivers 	<ul style="list-style-type: none"> ● Income tax relief 3 months ● Income Relief Scheme - \$1000 per month for 9 months ● Training Support Scheme - \$48m, training allowance of \$10 per hour 	<ul style="list-style-type: none"> ● A taxable grant worth 80% of their average monthly profits over the last 3 years, up to £2,500 a month, for 3 months

First time jobseekers/Fresh graduates will not be spared either

- The 'crisis cohort' might have a late headstart in careers - A Covid 19 generation of graduates
- Youth are particularly sensitive to economic turbulence, unemployment rate three time higher than adult. During the global financial crisis, it raised from 11% in 2007 to 13% in 2009 (Malaysia)
- An existing mismatch of graduate and available jobs pre-Covid 19 - 173,457 graduates/year vs 98, 514 high-skilled jobs/year (BNM 2019)
- Low wage and underemployment - Fresh graduates willing to accept monthly salary as low as RM1550, average monthly salary for a degree holder is RM1900 (KRI)
- 32% of those age 20-24 are employed informally (KRI).

Short term mitigating measures - “Wartime” spending

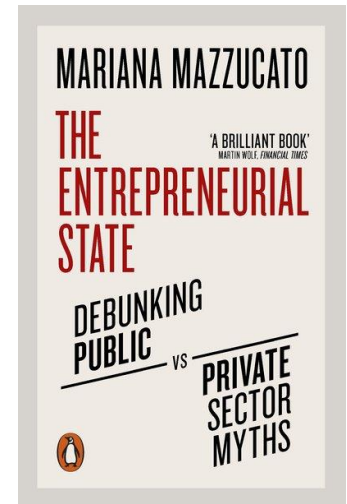
- Bigger direct cash transfers to compensate for lost income and support livelihood.
- Higher wage subsidy, job support system to help preserve jobs (which includes self-employed persons)
- Help ease cash flow for SMEs and make sure small business stay afloat - interest free loan facility, wage subsidy and tax relief etc, ties in with commitment to retain workers.
- Create entry-level jobs in sectors with growth potentials for fresh graduates, including helping them to upskill and reskill and be ready when economy picks up again.

Long term reform: “Build Back Better”

- A more diverse, knowledge-based economy that propels us into a high income status
- Speed up the uptake of digitalisation, automation and other tech solutions
- A more robust social safety net
- Investment into public goods, particularly healthcare system.
- Instilling the notion of security in economic planning e.g Food security
- Future proofing our cities in face of climate change

What does the future hold for us?

- Crisis = Opportunity - a chance for us to reshape our world
- Rethinking the role of government
 - Investment in public goods, innovations
- Stakeholder capitalism vs Shareholder capitalism (World Economic Forum)
- Winners and losers of different sectors
- Social impact of your career choice



Thank you!

#StayHomeStaySafe

#KitaJagaKita

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