PEMERKASA+: A DROP IN THE OCEAN

Jaideep Singh, Researcher
Morgan Loh, Research Analyst

3 June 2021

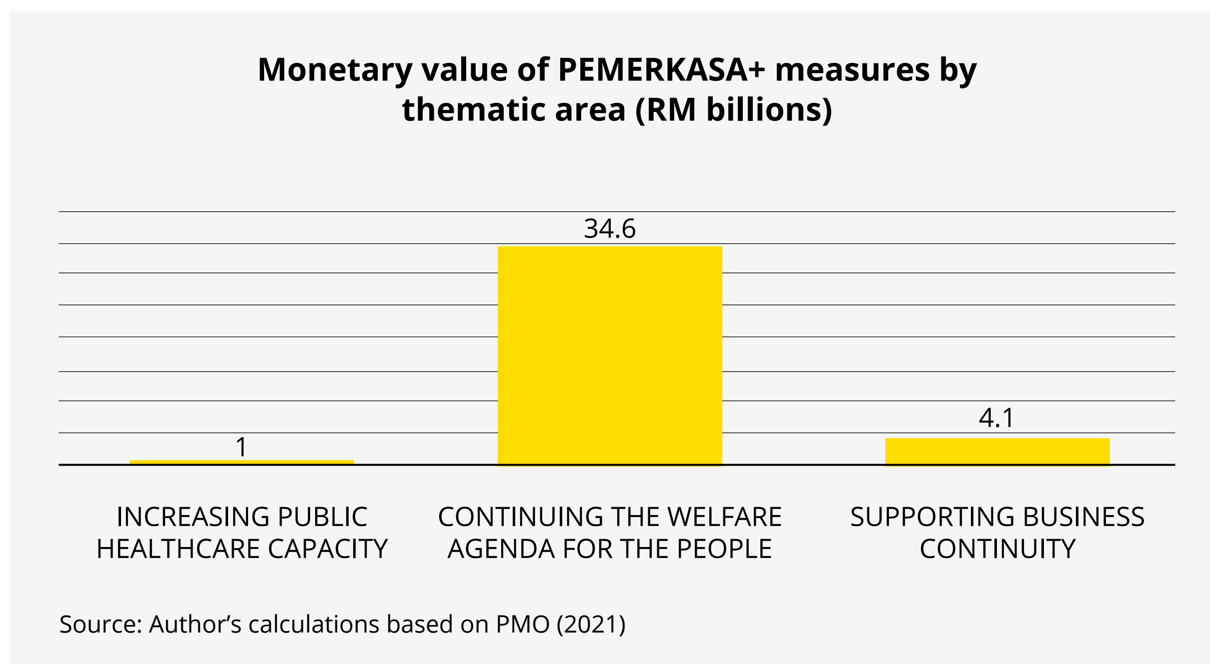
INTRODUCTION

On May 31, 2021, the Malaysian government announced a new stimulus package called the Supplementary Strategic Programme to Empower the People and Economy (PEMERKASA+). Totalling about RM40 billion – with RM5 billion in the form of direct government spending – PEMERKASA+ was introduced in conjunction with the imposition of the full movement control order (FMCO) in early June. It supplements the original PEMERKASA package unveiled in March in order to address the effects of the lockdown on businesses and livelihoods.

This note provides a summary, breakdown and review of the proposed initiatives and the overall package.

SUMMARY AND REVIEW OF INITIATIVES

Smaller in scope than its predecessor, PEMERKASA+ covers 12 initiatives across 3 thematic areas as tabulated, summarised and reviewed below:



1. Increasing public healthcare capacity (RM 1 billion)

Key initiatives:

Upgrading ICU and related facilities for COVID-19 treatment

Our take:

- **The healthcare system has been stretched to the limit as daily cases and deaths hover near record highs, necessitating the lockdown in the first place**
- **It is therefore surprising that the healthcare spending proposed here is cosmetic at best, with no substantial fiscal measures highlighted to upscale vaccination rates and improve mitigation strategies**

2. Continuing the welfare agenda for the people (RM 34.6 billion)

Key initiatives:

Providing additional one-off assistance for B40 households through BPR; a three-month loan moratorium for B40 households and affected SMEs; expanding the Wage Subsidy Programme

Our take:

- **Almost every initiative here is simply an extension of existing measures, and it is dominated by the loan moratorium, which makes up 86% of the expected size of this thematic area**
- **The remaining measures are akin to extending a rope that is too short to reach the drowning victim: there is very limited expansion of the state's fiscal responsibility in the face of considerable expected losses to out of work employees and closed businesses**
- **This is a missed opportunity to be proactive rather than typically reactive to events**

---

3. Supporting business continuity (RM 4.1 billion)

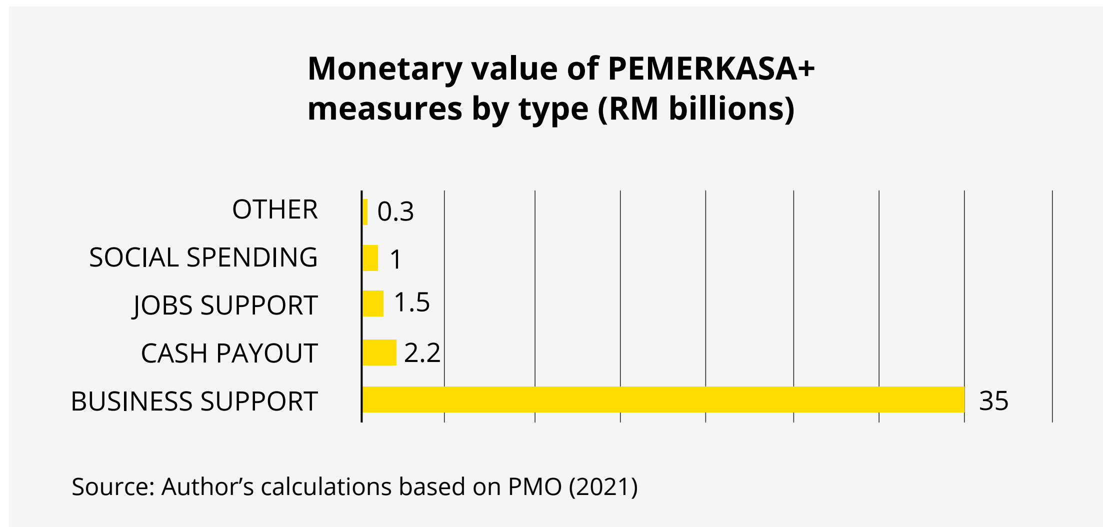
Key initiatives:

An additional grant to SMEs; further microcredit financing; one-off cash transfer to bus and taxi drivers

Our take:

- **Microcredit and SME financing makes up the bulk of this area at over 85% even though there is presumably little appetite for accessing fresh loans and expanding businesses right now**
- **The top priority should be to help SMEs weather forced businesses closures and the expected drop in demand as well as helping them prepare for a safe reopening after the lockdown – the former is small in scope and the latter is absent**

BREAKDOWN OF MEASURES BY TYPE



Source: Author's calculations based on PMO (2021)

As the figure above shows, over 87% of the total monetary value of PEMERKASA+ involves business support, including the loan moratorium (RM 30 bn), microcredit and SME loan facilities (RM 3.5 bn) and the Geran Khas Prihatin payout to SMEs (RM 0.5 bn). Cash payouts, jobs support, social spending and other measures round up the remaining 13%. These consist primarily of the critical fiscal measures needed to weather the lockdown, including healthcare spending (RM 1 bn), cash transfers to households (RM 2.1 bn) and wage subsidies for affected employees (RM 1.5 bn).

Unlike the original PEMERKASA package, PEMERKASA+ does not call for any infrastructure spending, a crucial measure in boosting aggregate demand and promoting job creation during a recession. In addition, PEMERKASA+ has a narrower scope than its predecessor, with considerably less social spending in both absolute and relative terms.

OVERALL REVIEW OF PEMERKASA+ AND RECOMMENDATIONS

PEMERKASA+ could be seen almost entirely as a reactive rather than a proactive package. Long-term measures such as promoting sustainable financing for growth and job creation are given almost no emphasis. But even when its merits are judged purely as a short-run reactive package, PEMERKASA+ falls short – it is mostly an extension of existing measures thrown together quickly in an attempt to allay the public's concerns over the economic effects of the latest lockdown. Indeed, 75% of the total value of the package comes from yet another loan moratorium while a further 8.8% is in the form of the expanded microcredit and SME financing scheme, neither of which is fiscal in nature.

This brings us to the next point: the overwhelming contribution of the two aforementioned initiatives inflates the true contribution of the package and its supposed pressure on government coffers. Though it is larger in absolute size than PEMERKASA, the 'stimulus' element in PEMERKASA+ is sorely lacking. In total, fiscal measures make up only 12.5% of the total value of the programme, a far cry from the 55% in direct government spending implemented through PEMERKASA. This is despite the fact that the current FMCO is the strictest national lockdown since March 2020.

Malaysia needs to increase spending during this trying time in order to protect vulnerable livelihoods and businesses right now as well as to stimulate consumption and investment in the economy more broadly once the current wave of infections slows down. As we have previously highlighted, there is sufficient space for the government to borrow and engage in deficit spending as an urgent measure in this regard.

In the short-run, the fiscal deficit will increase by a few percentage points as a consequence. But done strategically and more extensively, expansionary fiscal policy will ensure that the virus does not result in considerable economic casualties – a larger fiscal deficit for the time being is negligible by comparison. Despite warnings of 'limited fiscal space', the government has the mechanisms necessary to put the stimulus back in stimulus measures. The current debt ceiling of 60% of GDP is a statutory measure first and foremost, making it a moving target that can be raised temporarily in line with circumstances. As we have seen, the country is at a critical juncture, and economic logic dictates that we should act decisively by implementing broader stimulus measures instead of continuing with the status quo.

REFERENCES

Prime Minister's Office of Malaysia (PMO), 2021. Teks Ucapan Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan (PEMERKASA+) [online] Available at: <https://www.pmo.gov.my/2021/05/teks-ucapan-program-strategik-memperkasa-rakyat-dan-ekonomi-tambahan-pemerkasa/> [Accessed 2 June 2021]

REFSA Notes

ABOUT REFSA

Research for Social Advancement (REFSA) is a progressive, non-profit think tank that promotes social advancement in Malaysia. Since its inception, REFSA has been at the forefront of policy discussions and debates in the important political and socio- economic issues of the nation. Today, our aspiration hasn't changed – we want to power the movement for a just, inclusive and multi- ethnic society.

ABOUT REFSA Notes

REFSA Notes is a collection of thoughts, reflections, and ideas from our research team. They aim to provide the groundwork for further discussions, commentary, research agendas, and policy recommendations.

Authors: Jaideep Singh, Morgan Loh

CREDIT

REFSA allows authorship of derivative works and other transformations of this publication for personal, non-profit/non-commercial use, subject to the inclusion of proper and appropriate credit to "Research for Social Advancement (REFSA)". REFSA expressly prohibits the use of the whole or any part of this publication for defamatory or criminal purposes.

OTHER INFORMATION

The information in this report has been obtained from and is based upon sources that are believed to be reliable but no guarantee is made as to accuracy and completeness.

The views expressed in this Note do not necessarily reflect the views of the Management or Board of Trustees of Research for Social Advancement (REFSA). In no event shall REFSA be liable for damages arising from its use.

Copyright (C) Research for Social Advancement Berhad, June 2021. All rights reserved.

REFSA

Research For Social Advancement

Level 5, Block A,
Wenworth Building,
Jalan Yew, Off Jalan Pudu,
55100 KL

(03) **9285 5808**

www.**refsa**.org