



Covid-19 In Malaysia

Socioeconomic impacts of
Covid-19 in Malaysia and
prospects for recovery

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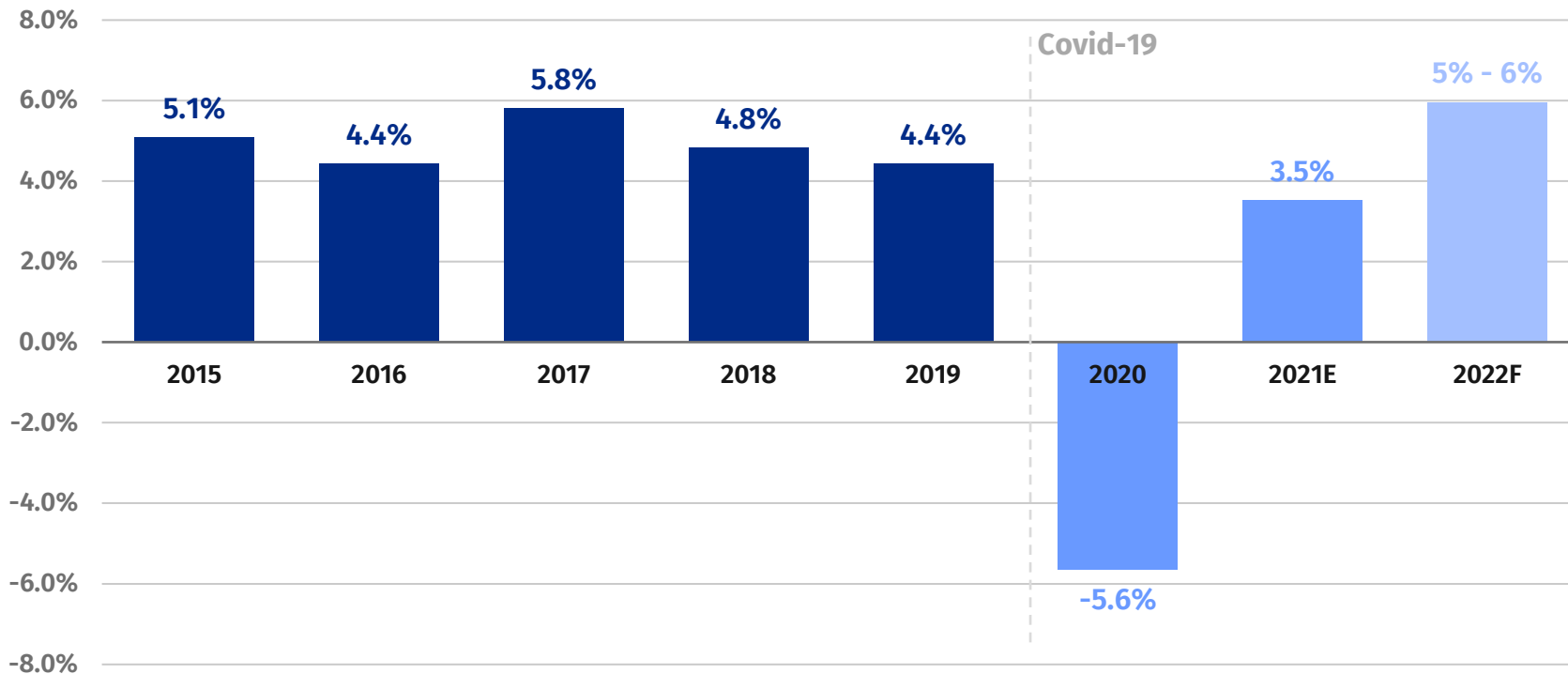
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● Malaysia's GDP experienced the largest decline in more than 2 decades in 2020

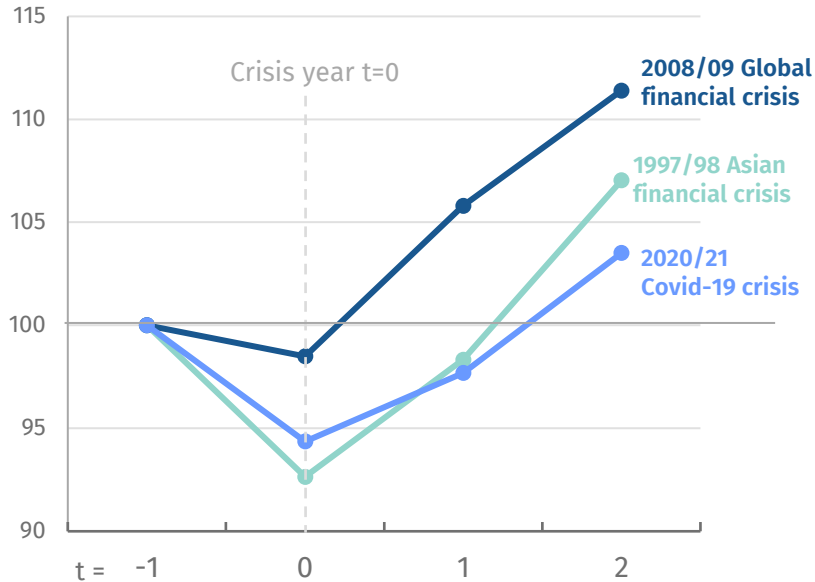
Real GDP y/y% growth



Source: DOSM, MOF (forecasts)

● The Covid recovery will be far slower than in past crises...

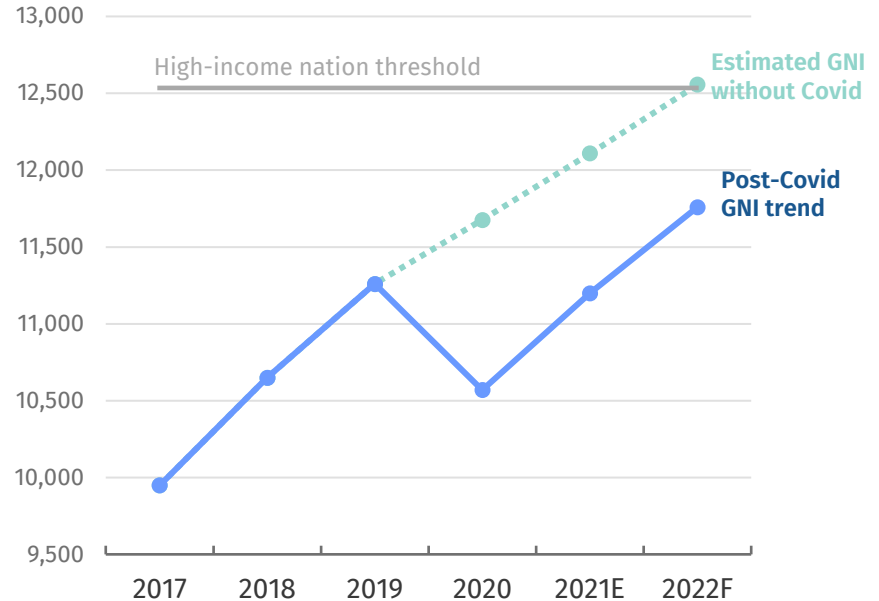
Real GDP (Index 100 = pre-crisis level)



Source: DOSM, World Bank, MOF, Author's estimates
 Note: t=0 denotes crisis year, i.e. 2020 for Covid-19 crisis, 1998 for AFC, 2009 for GFC

● ...setting back Malaysia's economic development for years

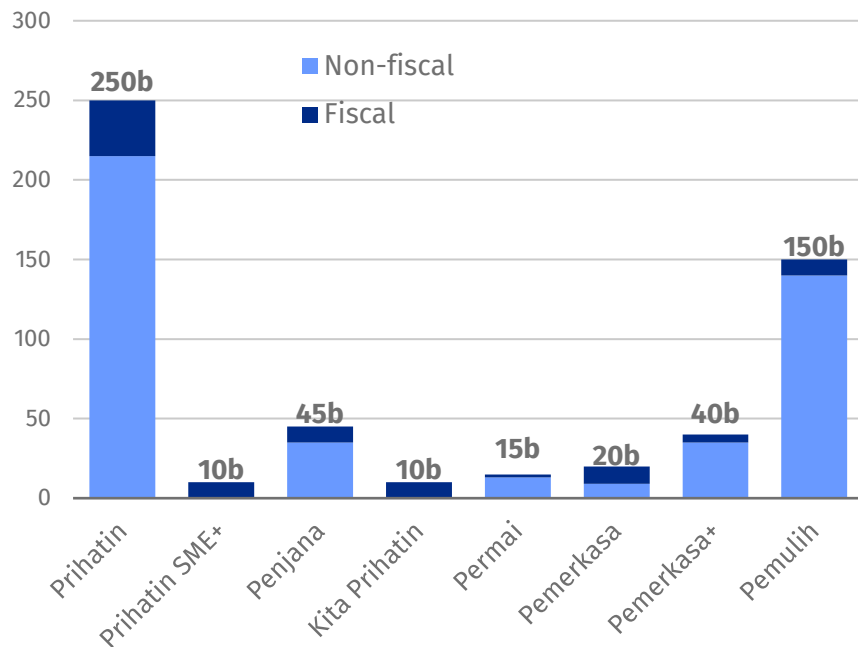
Gross national income per capita (Atlas method US\$)



Source: DOSM, World Bank, Author's estimates
 Note: GNI per capita estimates are rough approximations based on historical average growth rates

● Eight Covid-19 stimulus packages were announced...

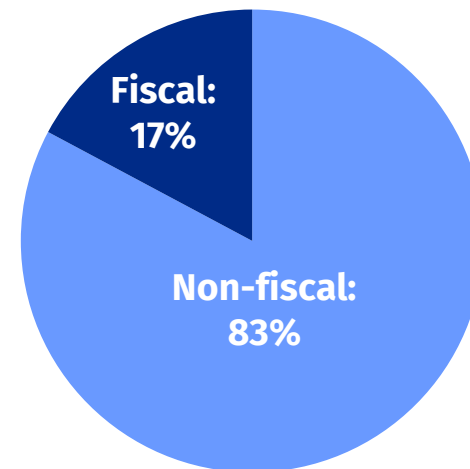
Stimulus package amount (RM billions)



● ...but a large portion of it does not involve direct fiscal stimulus

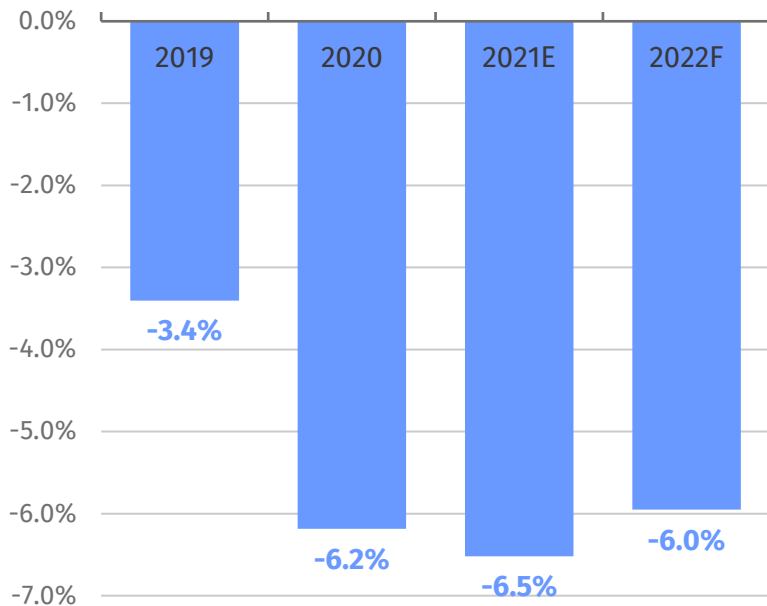
Gross national income per capita (US\$, Atlas)

Total Covid-19 stimulus package size: RM540 billion



● The Covid-19 has increased government budget deficits...

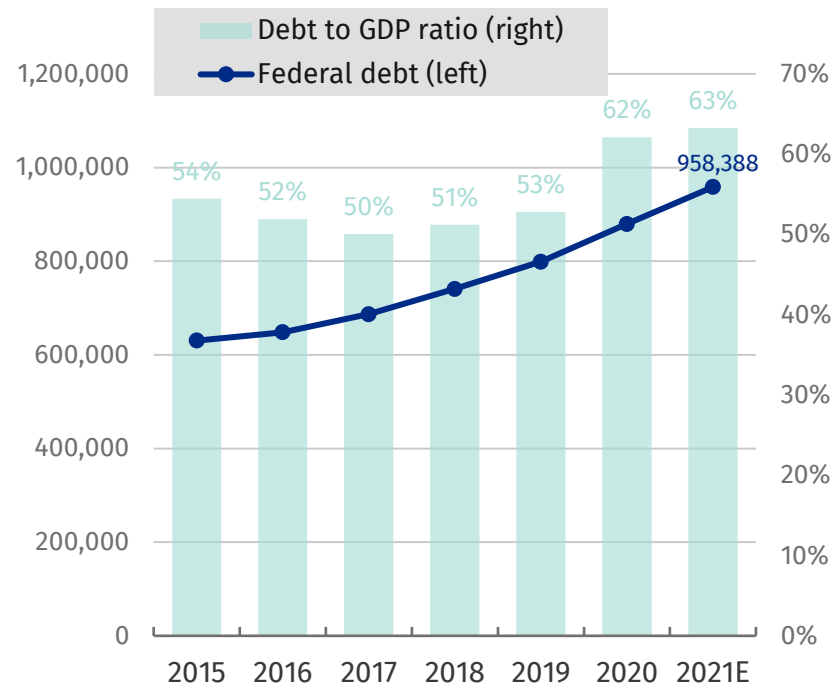
Government budget deficit (% of GDP)



Source: MOF

● ...leading to a record amount in government debt

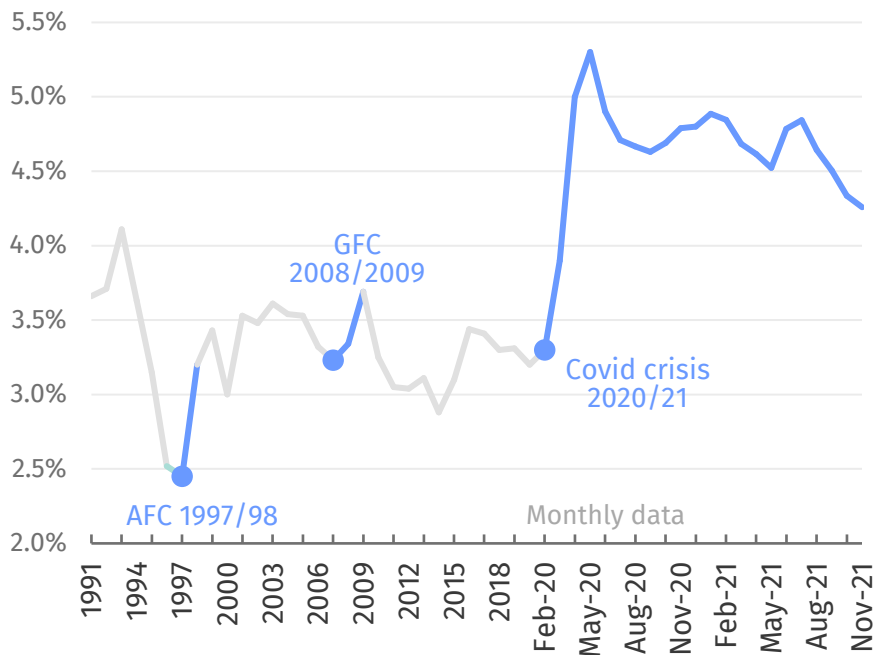
Federal debt (RM thousands), Debt-to-GDP (% of GDP)



Source: MOF, BNM, Author's estimates

● The unemployment rate is at multi-decade highs...

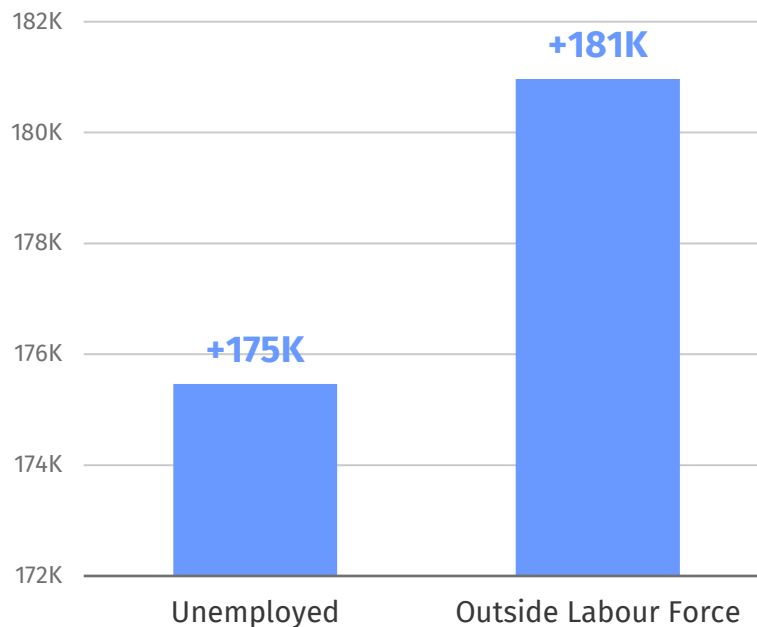
Unemployment rate (%)



Source: DOSM, Author's estimates
Cheng, 2021

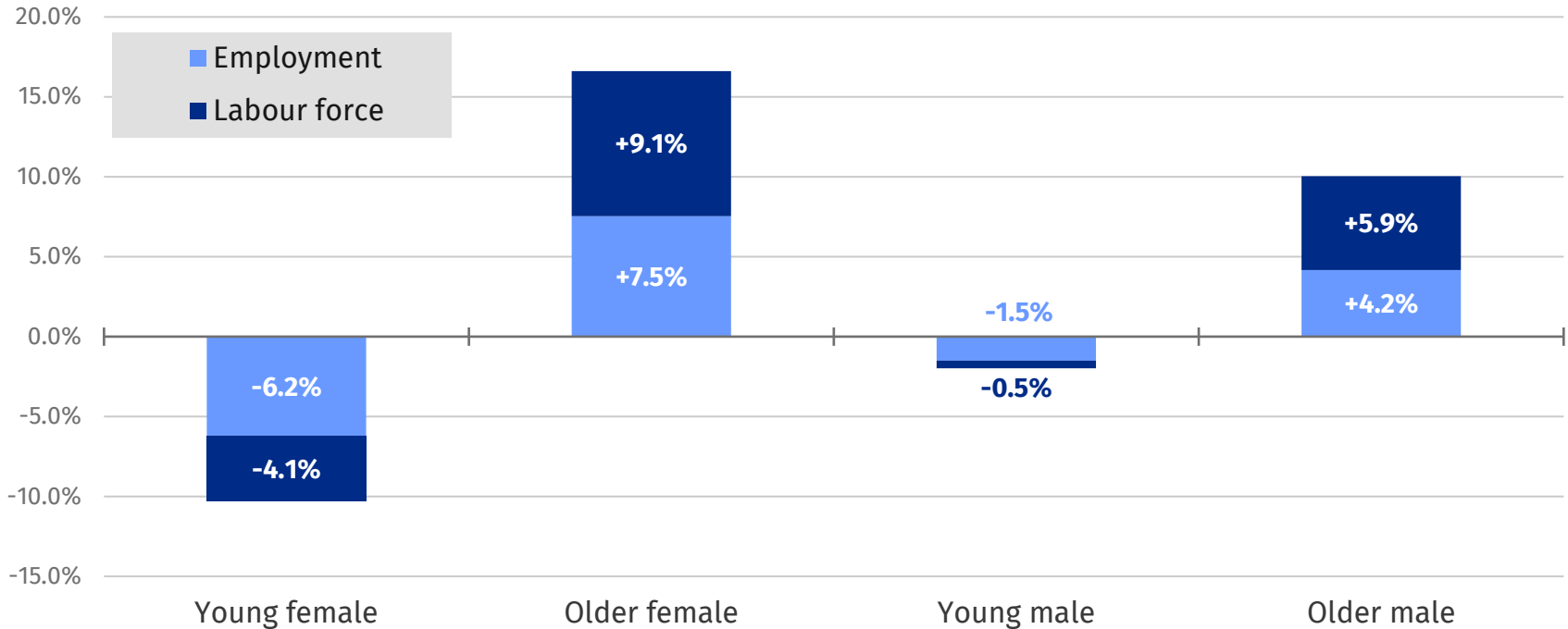
● ...and many Malaysian workers have exited the labour force completely

Labour market indicators vs. pre-pandemic levels (2019 average)



Source: DOSM, Author's estimates
Cheng, 2021

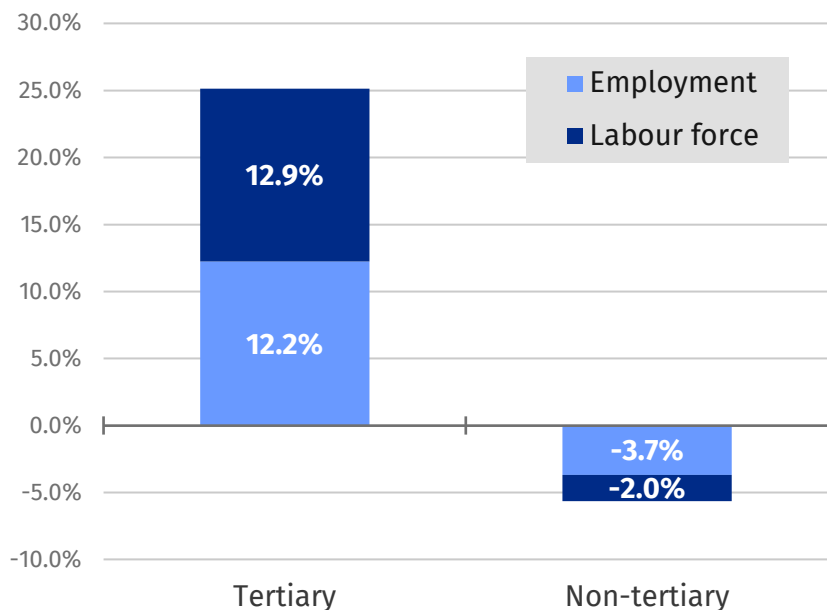
● But Covid-19's labour market impacts have been unequal across age and gender... Employment and labour force (3Q2021 vs pre-pandemic average)



Source: DOSM, Author's estimates; Cheng, 2021
Note: Older = 35+ years of age, Young = 15-34 years

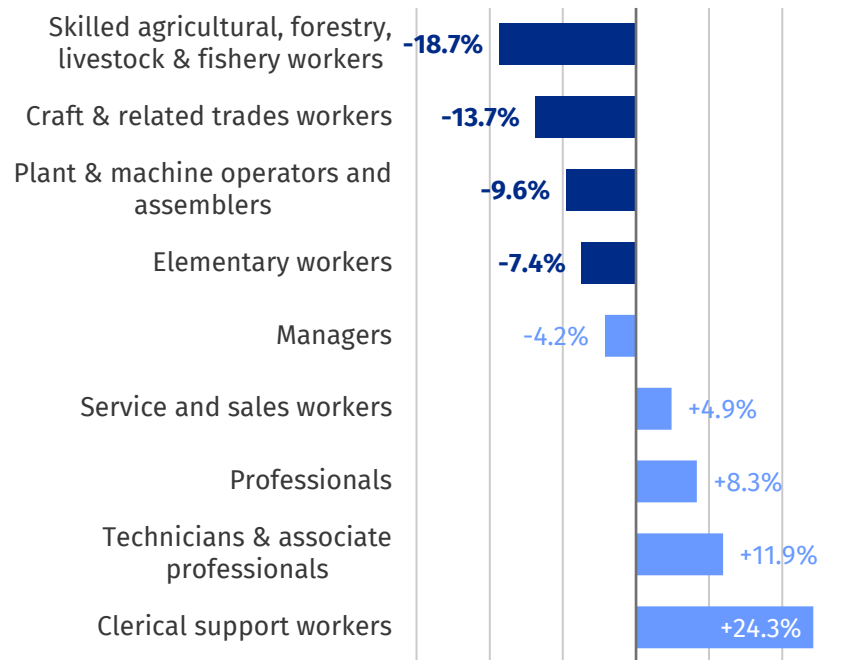
● ...And across educational attainment...

Employment and labour force (3Q2021 vs pre-pandemic average)



● ...corresponding with employment declines for “blue-collar” occupations

Employment (3Q2021 vs pre-pandemic average)

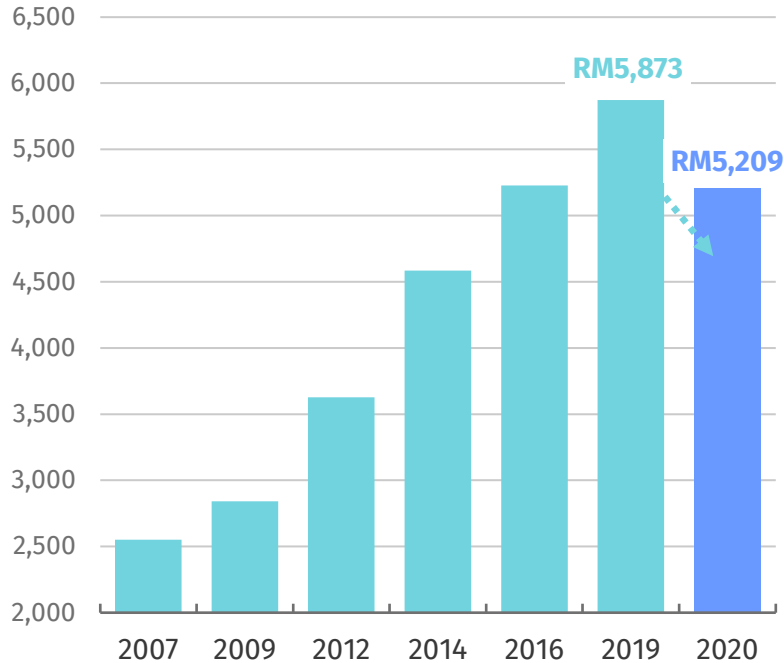


Source: DOSM, Author's estimates Cheng, 2021

Source: DOSM, Author's estimates Cheng, 2021

● Covid-19 has caused a large decline in household incomes...

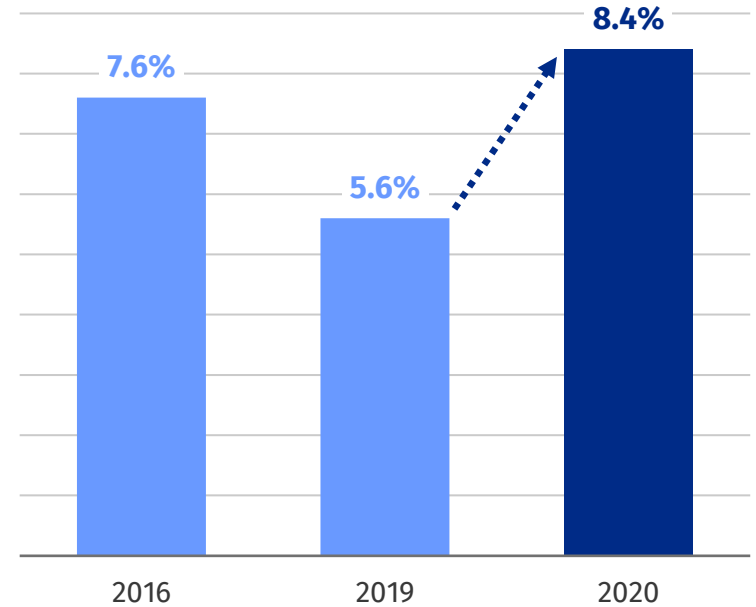
Median monthly household income (RM)



Source: DOSM

● ...reversing progress in poverty reduction by more than 4 years

Absolute poverty rate (% of households, 2020 PLI)



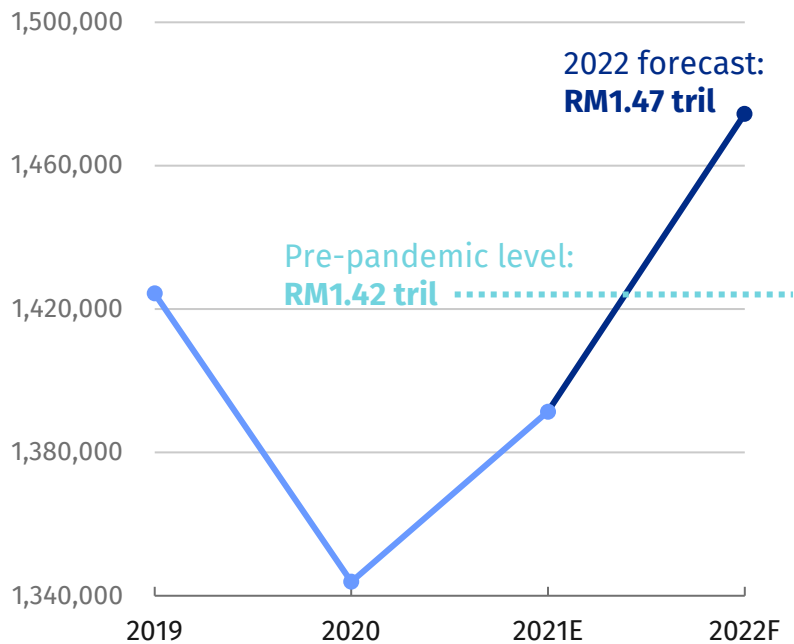
Source: DOSM

- **GDP growth:** Covid-19 created the largest GDP decline since 1997 Asian Financial Crisis, and an even slower recovery
- **Government budget/finances:** Lower tax revenue and higher expenditures widened government budget deficits and increased government debt to record levels
- **Impacts on workers:** Severe impacts on employment and labour force participation, particularly for vulnerable worker groups like young women and lesser-educated
- **Impacts on poverty and incomes:** Absolute poverty rates rose significantly, while median household incomes fell sharply
- **Unique economic crisis:** Compared to past economic crises (2008-09 GFC, 1997-98 AFC, 1985-86 commodity crisis), the 2020 Covid crisis had far more damaging and unequal impacts on households and workers

Outlook for recovery: What constitutes a 'true' recovery?

● GDP will recover to pre-pandemic levels by this year...

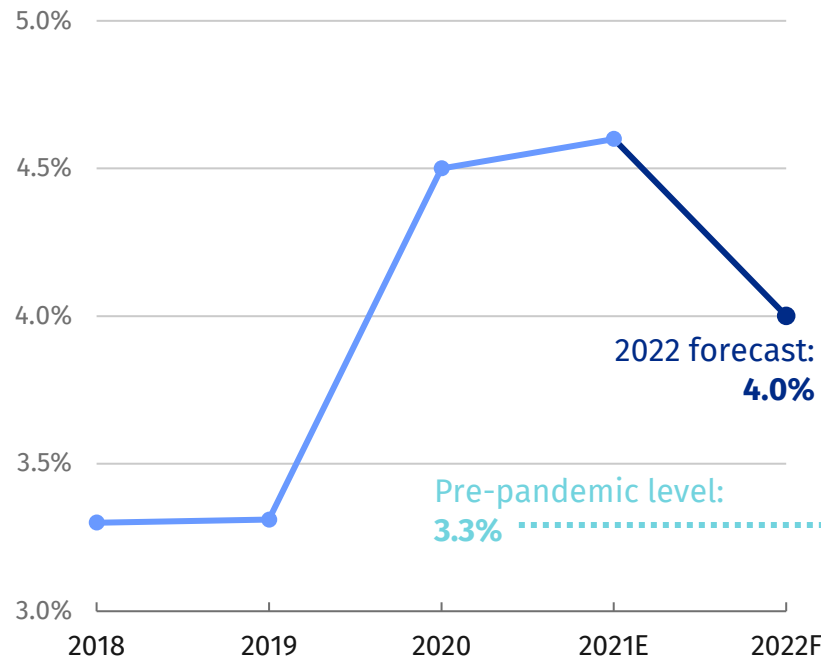
Real GDP (RM thousands)



Source: DOSM, MOF (forecasts)

● ...but a recovery for labour markets will take far longer to achieve

Overall unemployment rate (%)

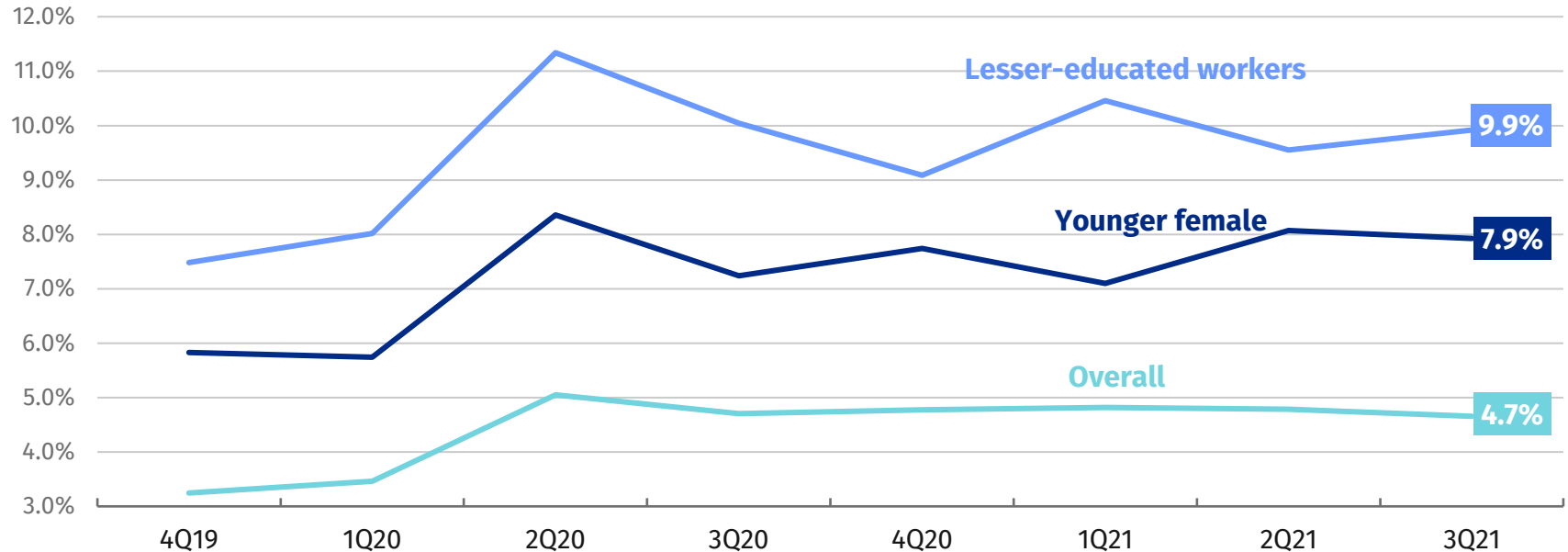


Source: DOSM, MOF (forecasts)

Outlook for recovery: What constitutes a 'true' recovery?

- **Beyond the national average, employment for many groups of workers may take a decade to recover to pre-pandemic levels**

Unemployment rate by worker group (%)



Source: DOSM, Author's estimates

Note: lesser-educated workers = workers without tertiary education; younger female = female below 35 years of age

Outlook for recovery: What constitutes a 'true' recovery?

- Malaysia's GDP will recover to pre-pandemic levels this year (2022)
- But will that mean that the Malaysian economy has recovered? (No)
- The socio-economic impacts of Covid-19 are far larger than just its impact on GDP growth
- Malaysia's unemployment rate will likely not recover to pre-pandemic levels until 2023
- A recovery in employment for vulnerable groups (youth, women) will take even longer
- The rise in poverty rates and inequality will likely persist for many more years



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UiTM Arshad Ayub Graduate Business School
Global Business Strategy guest lecture

29 January 2022

Thank You.

Questions welcome

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