

Impact of COVID-19 on the Malaysian Economy and the Mitigation Measures



Impact on GDP

Bank Negara Malaysia predicts GDP to be at the range of **-2.0%** and **0.5%**

Value of GDP losses relative to the projected 2020 is estimated to be in the range of

RM38 billion
and
RM102 billion



- Industrial output is estimated to reduce between **40%** and **70%** during MCO.
- A projected **negative growth of -8.6%** of the manufacturing sector

Special Survey by the DOSM

The **agriculture** and **services** sectors recorded a higher percentage of jobs lost compared to other sectors, **21.9 per cent** and **15.0 per cent** respectively.

Jobs lost in **Agriculture** sector

33.0%



Fisheries

21.1%



Agriculture and plantation sub-sector

Jobs lost in **Services** sector

35.4%



Food and beverage sub-sector

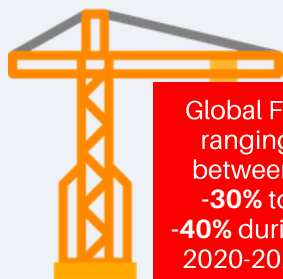
18.7%



Transport and storage sub-sector

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Impact on Investment



Global FDI ranging between **-30%** to **-40%** during 2020-2021

- Malaysia's exports are expected to **decline by 13.6 per cent** in 2020 (compared to 1.1% decline recorded in 2019).

- Private consumption will continue to anchor Malaysia's domestic economic growth. It is expected to expand at a slower pace of 4.2% in 2020 as compared to 7.6 per cent in 2019 and 8% in 2018.



Manufacturing Sector



Total approved investments (Jan-Feb 2020): **5.25%** drop from the same period last year

Implementation Status

2,749 manufacturing projects have been implemented as of 31 December 2019

1,015 projects

yet to be implemented remain uncertain due to COVID-19 pandemic and MCO.

Potentially contributing to:



RM158.46 billion investment

and



109,998 jobs

Non-Essential Industries

2,327 projects (61.1%) of the total manufacturing approved projects (2015-2019)

1,683 projects have been implemented (as of 31 December 2019) with realised investments worth of **RM62.49 billion** with **112,408 jobs** opportunity are severely affected by the MCO

201 projects or **5.3%** projects which are at the stage of factory construction and machinery installation will be affected by the MCO and pandemic.

The current **4.8%** 'not implemented' rate is expected to increase

While the remaining **644 projects** in the non-essential industries that are yet to be implemented remain unclear in the near future due to the uncertainties of the outbreak. These projects carry investments worth of **RM76.6 billion** and **68,031 potential jobs**

Impact on Jobs



The unemployment rate is estimated to be at **4%** or **629,000** individuals this year, up from **3.3%** in 2019.

MIER also predicted that between **951,000** and **2.4 million** jobs would be lost:

647,000 jobs to **1.6 million** jobs from unskilled category

303,000 jobs to **780,000 jobs** from skilled category

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Manufacturing Sector

GDP

- The manufacturing sector's contribution to GDP is RM316 billion (22.3% of the national GDP of RM1.4 trillion).
- Potential losses of RM12.9 billion during 14 days of Movement Control Order (MCO).



Production

- The value of the production losses is estimated to be RM64.6 billion. Losses from export value is estimated at RM51.2 billion if companies cease operations for 2 months.



Exports

- The manufacturing sector's total exports was RM834 billion (84.6% of total national exports of RM986 billion).
- Potential losses of RM32.0 billion during 14 days of Movement Control Order (MCO).



Source:
DOSM and MIDA Survey March 2020

Impact on Industries

Aerospace

Contribution to GDP: RM16 billion

1.1% of the national GDP of RM1.4 trillion

Operations

- Each day of halted production will require 13 days recovery period to resume operations at optimum rate.
- Some companies may not be able to fulfill demands.



Financial

- Potential losses of **RM1.2 billion - RM2.2 billion** in revenue.
- Some companies are forecasted to cease operations.

Employment

- Total jobs of **25,000** in the industry.
- Potential **job losses between 10 - 20%** due to cut-off production and less demand in air travelling that affects the industry globally.



Source:
MAIA and Malaysia Aerospace Blueprint 2030

Automotive

Contribution to GDP: RM40 billion

2.9% of the national GDP of RM1.4 trillion

Operations

- Operations of both manufacturing and after sales were completely stopped during MCO.
- Potential losses of export business for certain component manufacturers.
- At least 6 - 12 months recovery period for OEMs in term of vehicles sales in order to gain customers trust and improve buying sentiment.



Employment

- 600,000 covering both manufacturing and after sales sectors.
- Potential job losses between 10 - 20% due to cut off production and low volume of sales.



Financial

- Potential losses of **30%** in revenue by end of 2020 if the industry fails to boost back local sales.

Source:
MARii; Automotive Industry Performance 2019 and Outlook 2020, and Engagements with Major Automotive Companies

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Impact on Industries

Chemical

Contribution to GDP: RM33.8 billion

2.4% of the national GDP of RM1.4 trillion

- Employment**
- Estimation of **150 000** employees.
 - Potential job losses around 20%; more apparent / impacting at the SMEs level and may go up to 50% if MCO is extended / prolonged.
 - Potential additional cost of 10 per cent due to termination of employees; 20 per cent due to layoffs; more than

50 per cent due to unpaid leave, reduction of man-hours, paid sick leave and work from home.

Operations

- Potential reduction of production, raw materials, export, and supply chain of 50 per cent.

Source: Chemical Industries Council of Malaysia (CICM)

Financial

- Potential losses of **20 - 30 percent in revenue** if outbreak prolonged to 1H2020.
- Industry is expected to need more than 6 months of recovery period.



Medical Devices

Contribution to GDP: RM17.7 billion

1.3% of the national GDP of RM1.4 trillion

- Operations**
- Main challenges that are disrupting the supply chain include interruptions to production operations, delay of imports and distribution to users.
 - Some companies are forecasted to cease operations due to interruptions in production.

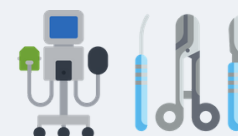
Employment

- Total 36,249 jobs in the industry. Potential losses of RM350,000 in man-hours due to sick employees and work from home arrangements.
- This causes a delay in customer support.

Source: Association of Malaysian Medical Industries (AMMI)

Financial

- Potential losses of **RM1.1 billion** in sales.



Electrical and Electronics (E&E)

Contribution to GDP: RM81.0 billion

5.8% of the national GDP of RM1.4 trillion

- Operations**
- Many MNCs have put their future investments on hold. Some of the investments are between RM2 billion to RM5 billion each (estimated by AMCHAM).
 - This in parallel will affect the growth of Malaysian SME development and supply chain in the E&E industry.

Employment

- More than 560,000 jobs in the industry.
- Local SMEs in the supply chain are affected and this will lead to retrenchment of local workers due to lack of business/projects.



Financial

- Potential impact of **RM3.1 billion to GDP** during 14 days shutdown.
- Potential losses of **RM14.5 billion** in exports for 14 days shutdown.

Source: AMCHAM and MIDA

Metal, Machinery, Equipment and Parts

M&E

Contribution to GDP: RM9.6 billion

0.7% of the national GDP of RM1.4 trillion

Metal

Contribution to GDP: RM9.1 billion (Basic metal)

Contribution to GDP: RM16.6 billion (Fabricated metal)

1.8% of the national GDP of RM1.4 trillion

Total jobs in industry:

M&E

212,919*

- Estimated about 20%-30% job losses due to not able to complete job orders or supply products to customers.

Metal

92,000*

- Estimated about 50% job losses not only due to MCO but also caused by slow demand, losses of orders and continuous impact of Covid-19.

Financial

- Potential losses of **RM3.18 billion** in revenue.

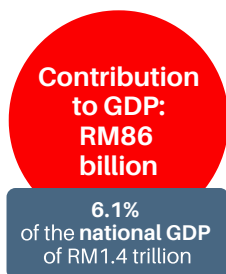


Source: MISIF, MSA, SWAM, MIDA, MEA and Engagement with Companies' Associations
*Estimated

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Impact on Industries

Tourism



Operations

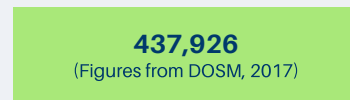
- Adverse impact on tourism export as this is the top export item in Malaysia's International Trade in Services account, RM79.2 billion (40% of the country's export revenue in 2018).



Logistics



Employment



Drivers and operators (such as equipment operators, clerical staffers)

Employment

- Total jobs of approximately 56,000 in hotel services.
- Potential job losses of up to 10% by June 2020.

Financial

- Potential losses of **RM3.3 billion** in revenue by June 2020.

Financial

- Potential losses of **RM1 billion** in revenue.
*Based on engagements with major logistics players



Source: Malaysian Association of Hotels (MAH)

Source: DOSM and Engagements with Major Logistics Players

Mitigation Measures

The Government has taken pro-active and responsive measures in **balancing public health, economic sustainability and the livelihood of the people** by allowing several economic sectors to operate subject to strict adherence to health and safety guidelines.

List of Essential Products

Food and beverage items including imported items

- Rice
- Sugar
- Vegetable, animal oils and fats
- Flour and all grain mill products
- Bread and confectionery
- Water
- Dairy products- milk, infant formula
- Condiments and Spices
- Canned food
- Meat
- Chicken
- Animal feed
- Processed fruits and vegetable
- Dry food such as instant noodles and biscuits
- Coffee and tea



Agriculture and fisheries including imports

- Fish and Seafood
- Fruits
- Vegetables



Pharmaceutical- all chemicals and drugs production



Household products

- Detergents
- Disinfectants
- Sanitisers
- Personal care items
- Toilet paper and tissue paper



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Mitigation Measures

List of Essential Products

Personal Protective Equipment (PPE) including Fire Safety Equipment and Medical Attire including face mask and rubber gloves



Packaging materials and printing including ink for food, medical and pharmaceutical products



Medical and surgical devices



Parts for medical devices, components for ventilator machine



List of Products that are Part of the Supply Chain of Essential Products

Oil and Gas



Petrochemicals

- PTA and PET RESINS
- Polyester fibres and filaments
- Polypropylene and polyethylene
- ABS and MABS resin
- Maleic Anhydride
- PVC Paste resin
- Expanded EPE
- Impact modifiers and processing aids
- Styrene Monomer
- Styrene Butadiene Latex
- Polystyrene



Chemical and Chemical Products - Fertiliser and Pesticide



Electrical and Electronics (E&E) including semiconductor



Additional Sectors

Automotive industry (limited to exports of CBU, parts and components, as well as after-sale services, e.g., repair and maintenance)



Science, professional and technical services, including R&D (limited to legal services, services incidental to oil and gas, R&D activities related to COVID-19, and testing labs for the sectors allowed to operate)



Construction projects and services related to construction works



Machinery and equipment industry



Aerospace industry



Hardware shops, electrical and electronic (E&E) shops



Laundry services (only those offering full-service and does not include self-service laundrette)



Social health services including registered traditional and complementary medicine (TCM) practitioners

