

Bread-and-butter issues remain an ongoing concern

While Malaysians greeted the new year with optimism in anticipating greater freedom of movement towards full reopening and normalisation underpinned by eventual endemicity, rising Covid-19 cases after the Chinese New Year (CNY) season has instead reignited a sense of economic uncertainty.

This is especially acute among small business owners and the low-income groups.

The upcoming Johor state election has brought the so-called "perut" economy (bread-and-butter issues) to the fore with concerns revolving around the reopening of borders that are particularly critical among Johoreans who depend heavily on Singapore in stimulating the state's economy.

Even with no clear sight of the end of the pandemic, rising cost of living, disproportionate housing prices relative to income, stagnant wages and highly leveraged finances remain some of the main "perut" economy components that worry Malaysians.

This has been clearly reflected in past EMIR Research quarterly polls that have identified these "perut" economy issues since the launching of the inaugural National Worry Index (NWI) in November 2019 – the period when Pakatan Harapan (PH) was still in power during the pre-pandemic period.

The term "perut" economy was coined by President and CEO of EMIR Research Datuk Wira Dr Rais Hussin to illustrate the issues that are the main source of the rakyat's worry.

These are: High cost of living; unaffordable housing; access to quality healthcare; unemployment (and under-employment) especially among the youths (together with the personal debts incurred in order to survive the hardships of life); and access to quality education.

However, the change of federal administration from Barisan Nasional (BN) to Pakatan Harapan (PH) after nearly two years did not result in sustained confidence among the rakyat in the aftermath of the euphoric victory.

Out of the 1,992 respondents across Malaysia, 30 per cent disagreed with the statement that the PH government is viable with 46 per cent being unsure of the performance. Only 24 per cent said the coalition is viable.

About 86 per cent were worried about the cost of basic needs and unaffordable homes. This was followed by lack of job opportunities (77 per cent), youth employment (76 per cent) and being in debt to sustain the cost of living (76 per cent).

The unemployment rate was at 3.2 per cent in November 2019. On the other hand, the overall household debt-to-GDP ratio rose to 82.7 per cent as of end-2019.

The announcement of the results from EMIR Research's inaugural NWI were immediately followed by the resounding defeat of PH in Tanjung Piai on Nov 16, 2019 – that saw a collapse of its share of votes across the ethnic communities.

At the same time, the **Department of Statistics Malaysia (DOSM)** stated that the Consumer Price Index (CPI) in November 2019 had increased by 0.9 per cent as compared with November 2018.

The increase in the CPI was due to the index of Miscellaneous Goods & Services (2.5 per cent), Housing, Water, Electricity, Gas & Other Fuels (1.7 per cent), Education (1.6 per cent), Food & Non-Alcoholic Beverages (1.5 per cent), Communication (1.5 per cent) and Furnishings, Household Equipment & Routine Household Maintenance (1.5 per cent).

Although the Covid-19 National Immunisation Programme (NIP) that started on Feb 24, 2021, provided light at the end of the tunnel, the continuous four-digit daily infection figures from April till May 2021 left the government with no option other than to impose the third Movement Control Order (MCO 3.0) effective from May 12, 2021.

The third MCO that lasted for more than four months eventually led to the collapse of the Perikatan Nasional (PN) administration. Datuk Seri Ismail Sabri Yaakob became the new prime minister on Aug 21, 2021.

Although both the Tan Sri Muhyiddin Yassin and Ismail Sabri administrations provided several stimulus packages to ease the financial burden of the rakyat, many ordinary Malaysians were still struggling to cope with the rising cost of living.

The latest CPI in January 2022 showed an increase of 1.96 per cent, compared with the year before in February 2021. As such, the hardcore poor and B40 households would feel even more economically and financially squeezed as rising inflation eats into their disposable incomes (or what is left of it). They require more spending to purchase essential items and even self-test kits due to rising Covid-19 cases in recent weeks.

With the new minimum wage set to be introduced in accordance with the National Wages Consultative Council Act (2011) albeit yet to be finalised and approved by the cabinet when current conditions of persistent inflationary pressure emanating from supply-side disruptions have yet to subside on a sustainable and steady basis, small and medium-sized enterprises (SMEs) would feel increased cost pressures.

Whilst the minimum wage is necessary and the right policy move to help ensure that the lower-income groups have earnings that increasingly approximates the "living wage", the timing could not have been worse.

Another economic uncertainty in the cost of doing business is the prospect of Bank Negara Malaysia raising the Overnight Policy Rate (OPR) in the second half of the year.

Counterpart central banks across the major economies are now under intense pressure to do something to combat rising inflation that is expected to persist over a longer term period than hitherto expected.

As it is, based on experience and empirical findings, the price of an item is dependent on the cost whereas the quantity is determined by the market forces of supply and demand as propounded by the eminent Keynesian economist Nicholas Kaldor (Economics without Equilibrium, 1985).

This means that inflation can be said to be pre-eminently a "pricing" problem understood as "stylised fact", i.e., simplified presentation of an empirical finding (see e.g., Inflation as Restructuring. A Theoretical and Empirical Account of the US Experience, 1992 – PhD thesis – by Jonathan Nitzan), though not necessarily always the case or universally so.

To be more precise, inflation is a structural issue which necessitates an institutional response (rather than a "market-clearing" mechanism that is supported by monetary policy in the form of the interest rate as the primary actor or uncoordinated with fiscal policy).

Practically speaking, we know that inflation always ends up eroding purchasing power and increasing the cost of living. It is one of the factors that aggravates the worry and anxiety of ordinary Malaysians as they grapple with indebtedness, stagnant and poor salaries/wages, economic uncertainty, and not least the scarring and "multiplier" effects of Covid-19.

Now with the looming Johor state election, it could be argued that like many Sabahans, Melakans and Sarawakians who have voted in the recent state elections, respectively, Johoreans would appear to be also more concerned about the "perut" economy such as cost of living expenses, employment and income over which coalition is considered the best or most trustworthy to form the next state government.

<https://www.nst.com.my/opinion/columnists/2022/03/778281/bread-and-butter-issues-remain-ongoing-concern>