

## **Reversing the decline among M40**

PETALING JAYA: More than 600, 000 households from the middle 40% (M40) income group have slipped into the bottom 40% (B40) category as the Covid-19 crisis delivered a major blow on Malaysians' income level, according to the Economic Action Council (EAC) secretariat.

Against the country's 7.28 million households, as reported by the Statistics Department for the year 2019, this represents at least 8% of households that have seen incomes drop below the B40 income maximum threshold of RM4, 850 a month.

The significant drop in income levels raises concerns about widening inequality and the impact on Malaysians' socioeconomic standing, and this in turn shifts attention to the government's game plan to remedy the situation.

The government has numerous measures worth RM380bil in stimulus that are already underway in addressing the Covid-19 impact on businesses, unemployment, income levels and the vulnerable sections of the society.

The government's continued commitment to implement the Shared Prosperity Vision (SPV) 2030 is also expected to make Malaysia a nation that achieves sustainable growth, along with fair and equitable distribution. Measures to be introduced under the SPV 2030 should partially help to address the concerns on widening inequality and poverty.

The EAC executive director Prof Tan Sri Noor Azlan Ghazali (pic below) said Malaysia's estimated gross domestic product (GDP) per capita declined to US\$10, 270 (RM42, 107) in 2020, as compared with US\$11, 213 (RM45, 973) in 2019 prior to the coronavirus outbreak.

"The pandemic dragged our GDP per capita down by about 8.4%. Earlier on, we were 10.5% behind the World Bank's high-income threshold level, but now we are 18% behind," he said.

Noor Azlan spoke to reporters yesterday in a virtual press meet, during which he unveiled the findings of the EAC secretariat's "Resetting Malaysia: Aligning to the new Economic Landscape" study.

The EAC secretariat has called for the resetting of the Malaysian economy as the country is charting an "exit plan" out of the Covid-19 crisis. The secretariat outlined eight reset agendas, 30 focus areas and 153 reset initiatives as part of its months-long study on aligning the country to the new economic landscape.

Among the eight reset agendas are embracing the digital economy; promoting technology adoption and advancement; positioning for a shifting global landscape; as well as promoting shared responsibility, good governance and sustainability.

The other four reset agendas are preparing future workforce; strengthening public deliveries and promotion of competitive markets; attending vulnerable communities and mainstreaming the third sector; and corporate recovery and reform.

According to Noor Azlan, the study follows extensive discussions with industry groups, experts and government officials.

“The suggestions under the study seek to address short-term and immediate pain as well as what the country needs in the medium- and long-term, ” he said.

He added that the findings are part of the EAC secretariat’s “independent study” and are not endorsed by the EAC.

Among the recommendations provided by the study are the establishment of designated regional digital start-up parks, creation of digital support desks for micro, small and medium businesses in all districts, as well as the introduction of university-industry technopolis.

It is also suggested that all affirmative programmes should be guided by a well-defined committed goal in line with national aspirations. In addition, the EAC secretariat said the government should prioritise the role of market facilitator instead of a market player. It called for the government to adopt a “private first” policy with a strong adherence to non-distorting interventions.

The government’s direct involvement in business is strictly targeted at national strategic interests and addressing market failures, it said. “We are not calling for privatisation. What we are saying is that if the private sector can deliver effectively at a right and fair price with goods and services accessible to everyone, then we can consider the “private first” policy.

“There are roles for the government and there are roles for the private sector. So, we must make sure that this is promoted in a very healthy way, ” said Noor Azlan.

Meanwhile, he noted that while Malaysia is trying to recover from the effects of the pandemic, there is a need for the government to reform certain policies in order to ensure that the country’s long-term growth remains intact.

“Recovery without reform is a waste. What we want to avoid is reviving the economy back to what it was before. We have to make sure that while we are reviving, we have to realign the economy to the new landscape, ” he said.

Noor Azlan also pointed out that the efforts to transform Malaysia into a high-income economy must be underpinned by “strong, real foundations”. “Our GDP per capita has increased by more than four times since 1990. If you take that as progress, indeed it is.

"But the challenge is, beyond those numbers, what does it mean in terms of distribution and who benefits from the growth?

"Are we facing an over-concentration of growth, considering that over 40% of our economy is in the Klang Valley, or are we looking at the east coast states and those without tertiary education?" he asked.

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