MALAYSIAN ECONOMIC STATISTICS REVIEW

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Recent Developments in the Malaysian Economy, 2020: COVID-19 pandemic

The Coronavirus Disease 2019 (COVID-19) first originated in Wuhan, the capital city of Hubei Province in the People's Republic of China in December 2019. It has been declared as a pandemic by the World Health Organization (WHO) on 11th March 2020. As of 28th May, it has spread to 187 countries and territories with more than 5.7 million people infected and almost 355,000 deaths recorded globally. The world has changed dramatically in the three months since the outbreak of the COVID-19 pandemic. The spread of this pandemic in the current global situation has affected people in every manner. Our country, Malaysia is also no exception to this situation.

International Monetary Fund (IMF) has declared the world economy entering a phase of depression expected to be worse than the subprime economic crisis of 2008. The outbreak of the COVID-19 pandemic will lead to a slowdown in the economy leading to a high unemployment. According to the International Labour Organization (ILO), a total of 3.3 billion workers worldwide have been affected by the crisis. Likewise, Asia and the Pacific are expected to have a significant impact on job losses and reduced in working hours.

Government of Malaysia has taken drastic measures to overcome the spread of the pandemic while at the same time, executing plans to reduce the impact of the pandemic to the economy. Malaysia is among the countries which took early prevention by imposing movement control to avoid massive loss of lives. As an effort to curb the spread of the virus, a partial lockdown which was a first in the country's history named the Movement Control Order (MCO) was called on 18th March 2020. All economic activities except the critical industries were instructed to shut down, with international borders were also closed to foreigners. The MCO was implemented in four phases and lasted for 47 days. This was followed by the Conditional MCO from 4th May which expected to end on 9th June 2020. Most businesses were allowed to resume operations on this date. For this purpose, the government has introduced guidelines and standard operating procedures to be adhered by the businesses which emphasised on social distancing and new working norms.

Unlike the global financial crisis in 2008, and the Asian financial crisis in 1997, Malaysia's COVID-19 crisis in 2020 is in contrast, a public health crisis first, and an economic crisis second. Both these crises are intensely difficult to manage, which needs implementation of policy at a balanced precision and the right speed. Cushioning the devastating impact of the crisis to the economy must not be at the expense of public healthcare.

Malaysian Economic Statistics Review (MESR) highlights the current economic scenario of businesses and households in facing the challenges as a consequence of COVID-19. This is the very first attempt of Department of Statistics, Malaysia (DOSM) to produce the MESR in providing comprehensive information for the benefits of the stakeholders and government that enables in expediting strategic policies to handle the economy crisis efficiently by overcoming the challenging environment faced by Malaysians. Moving forward, this report will be released on a monthly basis to facilitate all segments of users.

DR. MOHD UZIR MAHIDIN

CHRONOLOGY OF MOVEMENT CONTROL ORDER

1st MCO

The Prime Minister of Malaysia has announced the first MCO to last between 18th and 31st March 2020

2nd MCO

On 25th March 2020, the MCO was extended by two weeks, until 14th April 2020

3rd MCO

Subsequently, the MCO was extended until 28th April 2020

4th MCO

MCO extended again to 12th May 2020 on 23rd April 2020. Conditional Movement Control Order (CMCO) planned to ease the lockdown by allowing businesses to open on 4th May 2020 was announced on 1st May 2020.

CMCO

Prime Minister has announced that the current Conditional Movement Control Order (CMCO) implementation will be extended for 4 additional weeks. This means that the new end date for CMCO will be on 9 June 2020.

- The global social landscape has changed dramatically since the outbreak of the coronavirus pandemic. Countries all over the world have implemented movement restriction order which has brought the world to a ‘Great Lockdown’.
- In Malaysia, MCO has been imposed to contain the COVID-19 pandemic starting 18th March 2020. All economic activities were instructed to shut down except essential industries, with international borders closed to foreigners. The MCO was then extended up to third phase, before the government announced the CMCO which is expected to end on 9th June 2020.
- The lockdown has proved to be a major impact on the world economy and there is extreme uncertainty around the global growth forecast. Global economic growth for 2020 is expected to decline 3.0 per cent while advanced economy at -6.1 per cent (IMF projection). Malaysia’s economy for the year 2020 is forecasted to decline 1.7 per cent.
- In Q1 2020, Malaysia’s GDP grew marginally at 0.7 per cent, the lowest since Q3 2009 partly due to the response of slow down of economic activities to contain the COVID-19 pandemic. Without the COVID-19, Malaysia’s economy is expected to grow in the range of 3.9 per cent to 4.2 per cent in Q1 2020. In overall, it was estimated that the country loss RM22.8 billion in economic output during Q1 2020 due to the implementation of MCO as an effort to curb the pandemic.
- With the labour force of 15.8 million persons, the labour force participation rate was 68.8 per cent and unemployment rate was 3.5 per cent, recording 546.6 thousand unemployed persons as the unemployment rate in March rose sharply to 3.9 per cent. There were 2.7 million own-account workers is at risk of loss of employment. Total jobs demanded by the private sector was 8.6 million. Following the slower growth of filled jobs and decrease in job vacancies, the number of jobs during this quarter grew marginally as compared to the past four quarters in 2019. Labour productivity, measured as ratio of value added to employment recorded a decline of 0.8 per cent with value added per employment RM22,578 per person.
- Outward remittances in Malaysia recorded RM7.4 billion as compared to RM7.7 billion in Q4 2019. The remittances value is anticipated to decline sharply due to the economic uncertainty induced by the COVID-19 outbreak and MCO in the month of April and May 2020. Likely, foreign workers tend to be more vulnerable to loss of their jobs and salaries during this outbreak.
- Malaysia’s trade during Q1 2020 rebounded 1.2 per cent compared to Q1 2019, after four consecutive quarters of negative growth. Total exports during the period rose 1.1 per cent, while imports was higher by 1.3 per cent.
- The crisis has taken its toll on the tourism related industries especially accommodation, restaurant and hospitality, and aviation. Emerging business are observed as industries embarked on digitalization, especially in Wholesale and Retail Trade and Education industries.
- From the early indications in April and May 2020, the economic environment is foreseen to be unfavourable for Malaysian businesses.
- New ways of doing business and diversifying the economy is highly required by embracing technological advances such as the Industrial Revolution 4.0 and digitalisation of business ecosystem. It is expected this pandemic will give more profound impact to the economy, as it will affect businesses and consumers’ lifestyle, leading to the transformation of how they will work, shop, and live. In this regards, it is essential for the public and private sectors to synergise in facing the current challenges and subsequently to rejuvenate the Malaysia’s economy at a swifter pace.

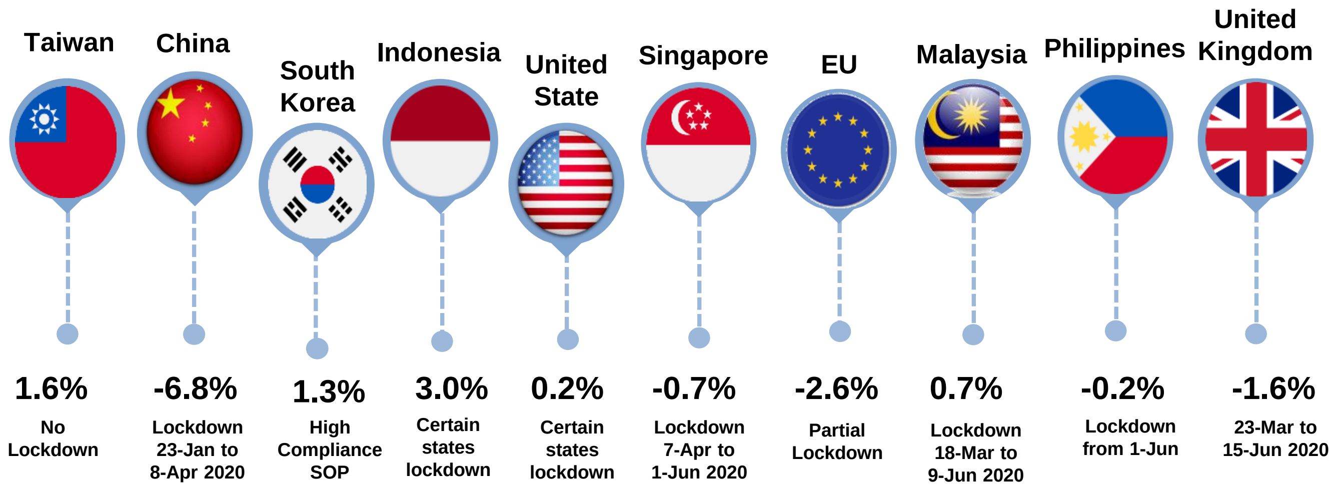
Globally, the world has changed dramatically since the outbreak of the coronavirus pandemic. Countries all over the world have implemented movement restriction order which has brought the world to a 'Great Lockdown'. It has taught a new normal to the society including practicing social distancing to break the chain of the pandemic. This unprecedented situation has caused a sharp contraction to the economy like never before.

In Malaysia, MCO has been imposed to contain the COVID-19 pandemic starting 18th March 2020. All economic activities except the essential industries were instructed to be shut down, with international borders were also closed to foreigners. The MCO was then extended up to third phase before the government announced the CMCO which expected to end on 9th June 2020.

The lockdown has proved to be a major impact on the world economy and there is extreme uncertainty around the global growth forecast. In 2020, global economic growth is expected to decline 3.0 per cent while advanced economy at -6.1 per cent (IMF projection). The United States and the Euro economies are projected to decline sharply while the Chinese economy is expected to register a slower growth of 1.2 per cent for the year 2020 with the economy already shrank by negative 6.8 per cent in the first quarter of 2020. As for Malaysia, the economy is expected to decline at 1.7 per cent in 2020.

In the first quarter of 2020, United States Of America grew at 0.2 per cent while European economy dropped 2.6 per cent due to limitation of travel and business activities in the region. However, ASEAN countries namely Indonesia, Philippines and Singapore posted a growth 3.0 per cent, -0.2 per cent and -0.7 per cent respectively **(Figure 1).**

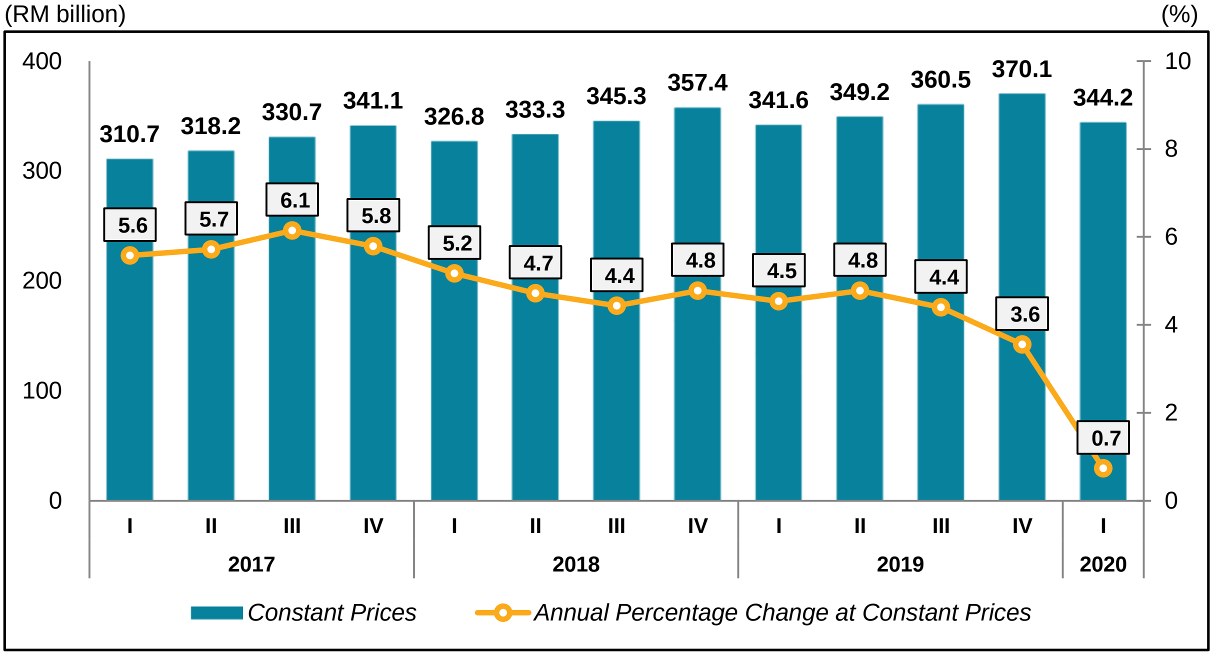
Figure 1: Economic Performance of Selected Countries, Q1 2020



Source: The respective National Statistical Office of the countries

The impact of COVID-19 has been devastating to Malaysia's economy. Other than loss hundreds of lives, this pandemic also cause paralyzed in non-critical economic activities, which subsequently led to the unemployment. On top of that, close borders action taken by the Government has been a great blow to Malaysia's tourism industry. The MCO has led to rapid changes in demand such as businesses switched to remote work or cancelled operations as well as consumers have cancelled, restricted, or redirected their spending.

Chart 1: Malaysia's GDP Q1 2017 – Q1 2020



Source: Gross Domestic Product, Q1 2020, DOSM

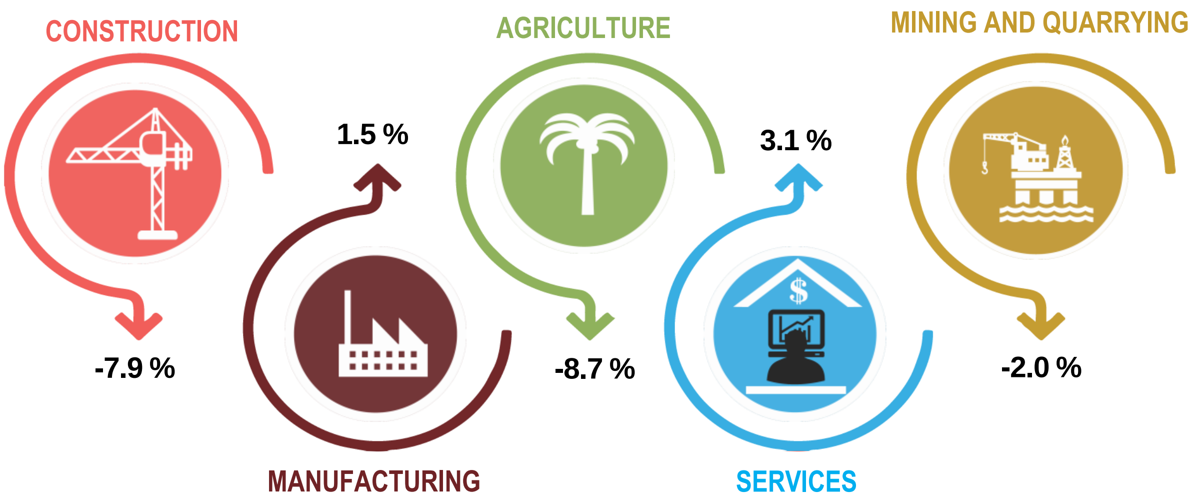
During Q1 2020, the economy was still in a positive trend as economic activities in January and February sustained its positive growth. Industrial Production Index (IPI) in Q1 2020 posted a marginal growth of 0.4 per cent. The growth was contributed by the positive performance in Manufacturing sector (1.3%) while Mining and Electricity recorded a decline of -1.8 per cent and -0.4 per cent respectively. Slight increase in Manufacturing was due to the better performance during January and February this year at 2.2 per cent and 6.2 per cent respectively.

In the meantime, Index of Services posted an increase of 2.3 per cent led by Business Services and Finance (4.1%). This was followed by Information & Communication and Transportation & Storage (2.7%) and Wholesale & Retail Trade, Food & Beverages and Accommodation (1.5%).

In Q1 2020, Malaysia's Gross Domestic Product (GDP) grew marginally at 0.7 per cent, the lowest since Q3 2009 partly due to the response of slow down to contain the COVID-19 pandemic. The Services sector which was the largest contributor to Malaysia's economy increased 3.1 per cent supported by Information & communication, Wholesale & retail trade and Finance & insurance sub-sectors. The Information & communication sub sector spearheaded by telecommunication segment due to the work from home practiced by most of economic sectors during the MCO.

The Manufacturing sector grew 1.5 per cent as against 3.0 per cent in the previous quarter. This was the lowest growth attained since Q1 2013 (0.6%) affected by the decline in Vegetable and animal oils and fats due to lower production of palm oil commodities; Transport Equipment and Other Manufactures and Construction related products. On the contrary, the growth in this quarter was supported by Petroleum, chemical, rubber & plastic product (3.9%), Electrical, electronic & optical product (2.2%) and Wood products, furniture, paper products & printing (1.3%).

Figure 2:
GDP by Five Main Sectors, Percentage Change from Corresponding Quarter of Preceding Year



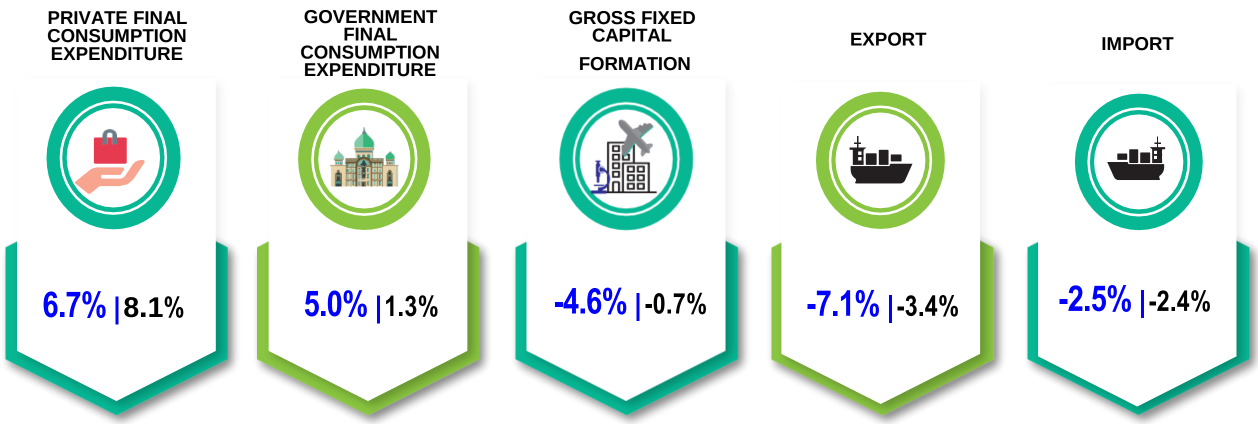
Source: Gross Domestic Product, Q1 2020, DOSM

Nevertheless, Agriculture and Construction sectors declined while Mining & quarrying registered an improved negative in Q1 2020. The decline in the Agriculture sector was mainly due to the drop in Oil Palm, Forestry & logging, Fishing and Rubber. Oil palm sub-sector shrank further to 22.0 per cent (Q4 2019: -16.9%) due to a contraction in the production of fresh fruit bunches caused by low fertilizer activity and dry weather. In this quarter, the imports of fertilizer fell 2.0 per cent to 952,704 tonnes (Q1 2019: 972,346 tonnes).

The Mining & Quarrying sector attained a smaller negative of 2.0 per cent in this quarter (Q4 2019: -3.4%) due to the improved performance in Crude & condensate and Natural gas which posted a marginal growth. The Construction sector contracted 7.9 per cent (Q4 2019: 1.0%), the lowest growth since Q2 1999 (-7.9%). The private sector continued to propel the construction activity in this quarter with a value of work done at RM19.2 billion (share: 54.8%).

On the expenditure side, Private final consumption grew 6.7 per cent contributed by the higher consumption on essential items such as Food & non-alcoholic beverages, Communication and Housing, water, electricity & other fuels. Meanwhile, Gross fixed capital formation remained on decreasing trend for five consecutive quarters with a negative rate of 4.6 per cent due to the sharp decline in all three segments namely Structure, Machinery & equipment and other assets.

Figure 3: GDP by Type of Expenditure
Percentage Change from Corresponding Quarter of Preceding Year



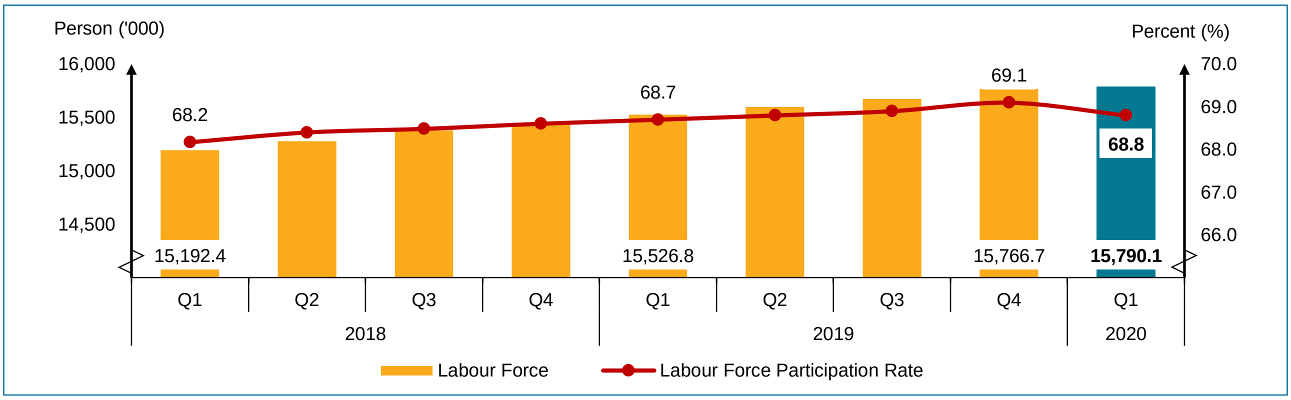
Note : Q1 2020, Q4 2019

Source: Gross Domestic Product, Q1 2020, DOSM

Malaysian Economy could have attained a higher economic growth in the absence of Covid-19. It is expected the growth of Malaysian economy in the first quarter to be in the range of 3.9 per cent to 4.2 per cent based on the analysis in accordance to the System of National Accounts, produced by United Nations, World Bank and IMF. In overall, it was estimated a total loss of RM22.8 billion in economic output during Q1 2020 due to the implementation of MCO and coupled with COVID-19 pandemic.

From the perspective of labour supply, labour force in Malaysia for Q1 2020, stood at 15.8 million persons, grew by 1.7 per cent year-on-year compared to 2.1 per cent in Q4 2019. Labour force participation rate (LFPR) increased 0.1 percentage point to 68.8 per cent from 68.7 per cent in the same quarter of preceding year. This translated into another 31.2 per cent of the working age population of 15 to 64 years old being outside the labour force. **(Chart 2)**

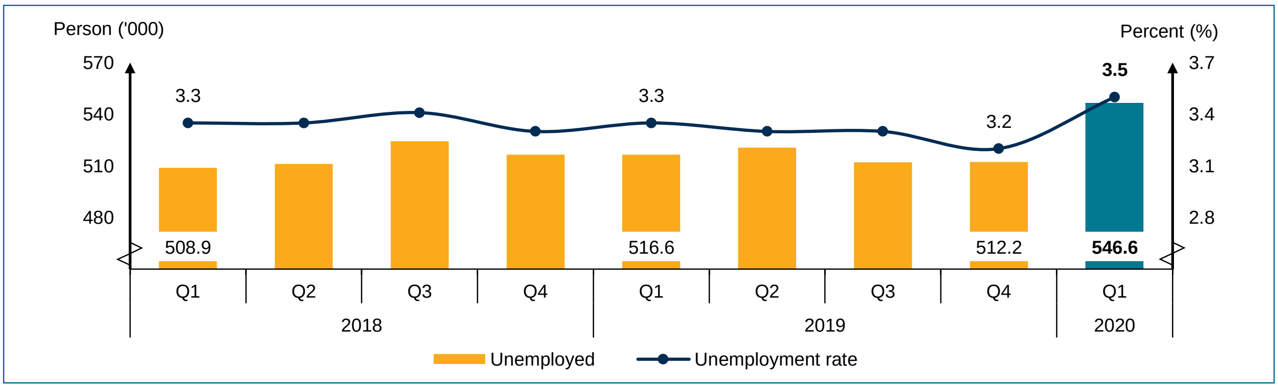
Chart 2: Labour Force & LFPR, Q1 2018 – Q1 2020



Source: Labour Force Survey Report, Malaysia, Q1 2020, DOSM

Q1 2020 saw the unemployment rate went up by 0.2 percentage points from Q1 2019 to 3.5 per cent. The number of unemployed persons during the same period rose by 30 thousand to 546.6 thousand as the unemployment rate in March rose sharply to 3.9 per cent**. (Chart 3)**

Chart 3: Unemployed & unemployment rate, Q1 2018 – Q1 2020



Source: Labour Force Survey Report, Malaysia, Q1 2020, DOSM

In terms of labour demand, total jobs in the private sector during Q1 2020 which comprised of filled jobs and job vacancies went up by 17 thousand to 8.6 million as compared to 8.5 million in the same quarter of the preceding year. Following the slower growth of filled jobs and decrease in job vacancies, the number of jobs during this quarter grew marginally as compared to the past four quarters in 2019.

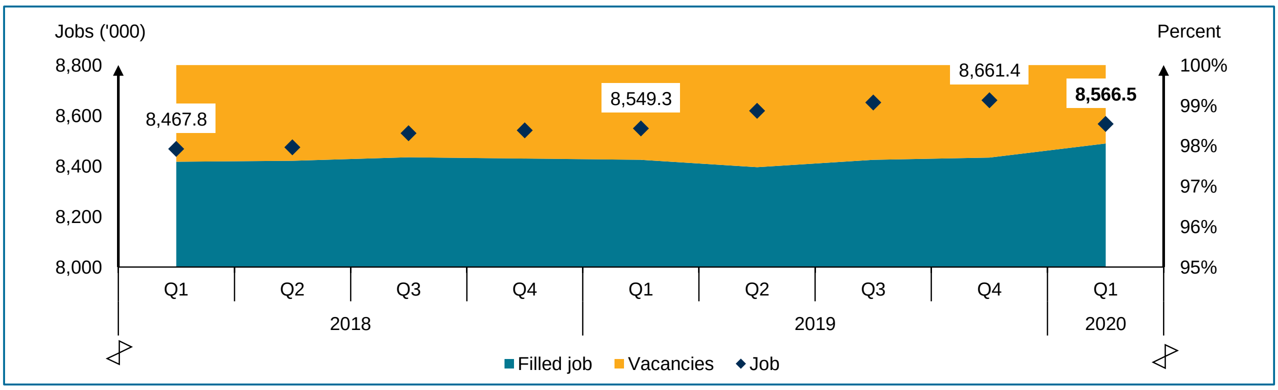
Figure 4: Unemployment Rates of Selected Countries

Countries	Unemployment Rate
Malaysia	3.5% (Q1 2020)
Singapore	2.4% (Q1 2020)
Vietnam	2.15% (Q4 2019)
Philippines	5.3% (Q1 2020)
New Zealand	4.2% (Q1 2020)
Jordan	19.0% (Q4 2019)
France	8.1% (Q4 2019)
Spain	14.41% (Q1 2020)

Source: https//tradingeconomics.com

The rate of filled jobs reached 98.1 per cent after consistently recording the rate between 97.1 per cent to 97.7 per cent, translated into 8.4 million jobs in this quarter. However, the increase of 52 thousand filled jobs in this quarter was lower compared to the annual increases of the previous quarters in 2019 which ranged from 83 thousand to 128 thousand. Inversely, the rate of vacancies fell below 2 per cent to 1.9 per cent after registering 2.3 per cent in Q4 2019. In terms of numbers, job vacancies dropped 35 thousand as compared to a year ago to 166 thousand. The decline of job vacancies was due to the cautionary steps taken by the industry amid slower economic performance of the country. **(Chart 4)**

Chart 4: Jobs, Filled Job and Vacancies, Q1 2018 – Q1 2020

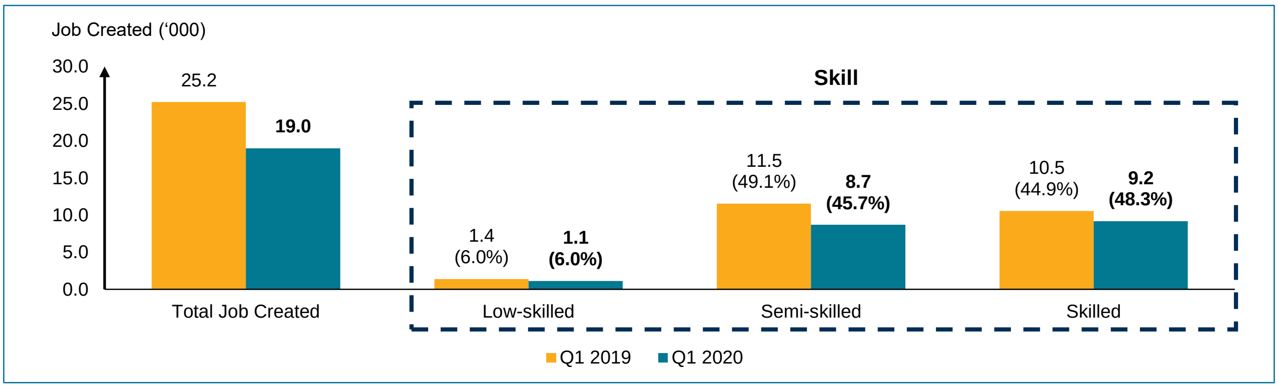


Source: Labour Force Survey Report, Malaysia, Q1 2020, DOSM

Looking at the breakdown of jobs by skill category, 24.3 per cent were skilled jobs. Meanwhile, jobs in semi-skilled category accounted for 62.4 per cent and low-skilled category made up of 13.3 per cent.

Despite slower economic momentum in Q1 2020, there were 19 thousand jobs created. However, the number of jobs created decreased by 5 thousand from 24 thousand in the same quarter of the previous year. It was observed that the new jobs were created mostly in the first two months of 2020. As for categories of skill, 48.3 per cent was skilled jobs while another 45.7 per cent were in semi-skilled category. **(Chart 5)**

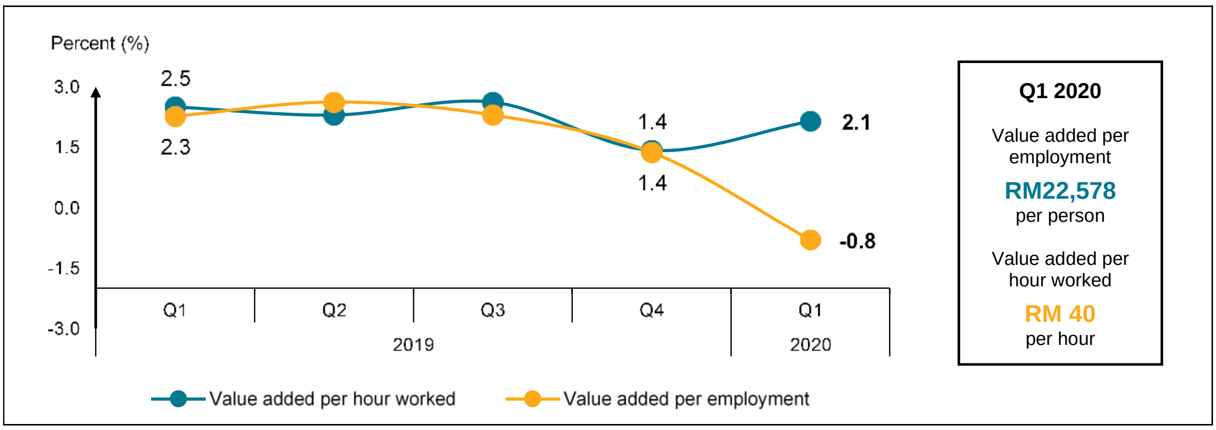
Chart 5: Jobs Created by Skill, Q4 2019 – Q1 2020



Source: Employment Statistics, Malaysia, Q1 2020, DOSM

In spite of slower economic performance during Q1 2020, labour productivity for this quarter, measured as ratio of value added to employment recorded a decline of 0.8 per cent from 1.4 per cent in Q4 2019 with value added per employment RM22,578 per person (Q4 2019: RM24,263). Labour productivity per employment declined during this challenging period since most of the industries retained their employment despite moderated growth in production. Meanwhile, Malaysia's labour productivity for Q1 2020, as measured by value added per hour worked rose 2.1 per cent with value of RM40 per hour due to the significant reduction in hours worked particularly during Movement Control Order (MCO) and not influenced by the automation in the industry. **(Chart 6)**

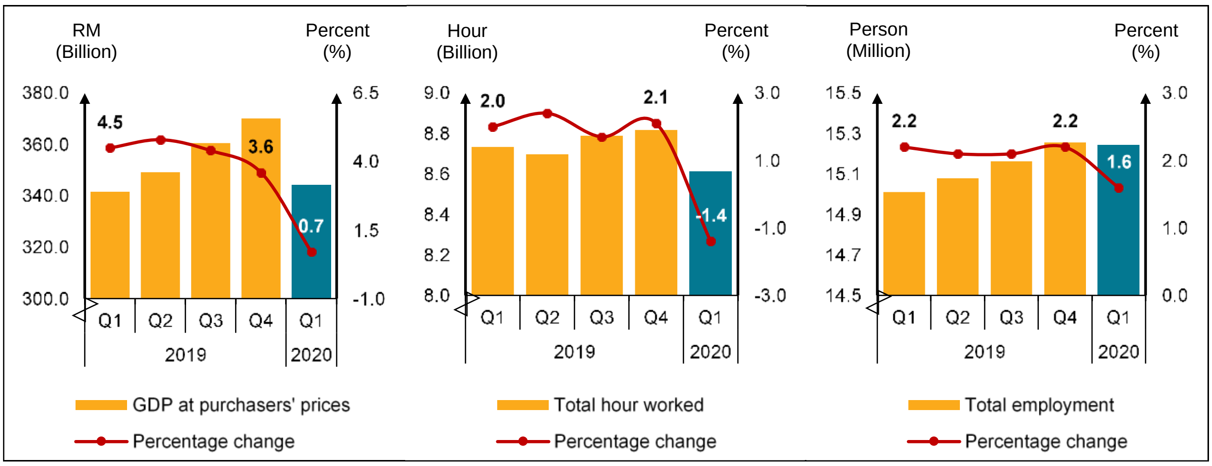
Chart 6: Labour Productivity, Malaysia, Q1 2019 – Q1 2020, Annual Percentage Change (%)



Source: Labour Productivity, Malaysia, Q1 2020, DOSM

The first phase of the MCO which involved two out of the 12 weeks in Q1 2020 caused a drop in total hours worked by 1.4 per cent to 8.6 billion hours. Inversely, value added which indicates the domestic goods and services produced grew marginally at 0.7 per cent in Q1 2020 as compared to 3.6 per cent in the preceding quarter while employment which consists of employers, employees, own account workers and unpaid family workers posted slower growth of 1.6 per cent (Q4 2019: 2.4%) with an estimates of 15.2 million persons in Q1 2020 (Q4 2019: 15.3 million persons). **(Chart 7)**

Chart 7: GDP, Hours Worked and Employment, Malaysia, Q1 2019 – Q1 2020, Percentage Change from Corresponding Quarter of Preceding Year



Source: Labour Productivity, Malaysia, Q1 2020, DOSM

Performance of labour productivity per employment during Q1 2020 indicated that capital intensive industries with adoption of high technology and automation were more resilient as compared to labour intensive industries. For instance, labour intensive segments of the Services sector such as Food Beverages and Accommodation registered a decline in value added per employment as opposed to Finance and Insurance which sustained, as well as Information and Communication which improved. The use of automation allowed for flexibilities for business operations to adjust swiftly in the face of crises, hence providing business sustainability while maintaining productivity.

The repercussion of the pandemic and MCO to the labour market

The repercussion of the COVID-19 outbreak and the resulting MCO to contain it has only begun to show slight labour market disruptions in Q1 2020.This unprecedented event has caused workers at risk of losing their jobs while job seekers are expected to face most challenging times in securing employment as the labour demand shrunk and total hours worked lessened. The current status of labour demand and supply for the quarter gave us early signal of disequilibrium in the labour market. The labour market developments and prospects within the next quarter are expected to be considerably weaker following the economic ramification of three more phases of MCO which would affect the whole of April before Conditional MCO kicked off since the first week of May.

As the new normal set in and various operating procedures are designed to balance health concerns with economic recovery and sustainability, a noticeable shift is expected to occur within the various economic sectors. This, in turn, will affect the labour market dynamics as demand for labour may fall in particular industries yet rise in the others.

Moving forward: addressing the labour market imbalances

Moving forward, a dynamic labour market policy is needed to address this labour market disequilibrium. Labour surplus in affected industries such as accommodation and retail need to be redeployed to industries that have seen a surge in labour demand in order to maximise productivity. In the short term, labour shortages are foreseen in essential services industries namely health, agriculture and food based industry as the demand increases in these industries. Therefore, these sectors have the potential to absorb labours who faced job losses.

Individuals facing this hardship would definitely find ways to secure jobs and income generation opportunities, by striving towards increasing marketability and adaptability to meet demand in different and emerging sectors. Skills gap can be narrowed through the various trainings, upskilling, reskilling and cross-skilling programmes offered by various agencies to help workers overcome this issue. Among others are Social Security Organization (SOCSO), Human Resources Development Fund (HRDF) and Majlis Amanah Rakyat (MARA).

Remittances by foreign workers in Malaysia

Malaysia's economic transition from agriculture in 1970s to manufacturing in 1990s and subsequently to services in 2000s has opened the door for more foreign workers into Malaysia to meet increasing labour demands especially in the low-skilled and semi-skilled jobs. Over the years, higher reliance on foreign workers undoubtedly have negative consequences especially when citizens are replaced by non-citizen employees, which resulted in the suppression of wage levels. Impact of labour market dependency to foreign labour is reflected through the Workers' Remittances by foreign workers as reported in Balance of Payments (BOP) of Malaysia, whereby the share of workers' remittances outflows accounted for more than 80 per cent of total payments.

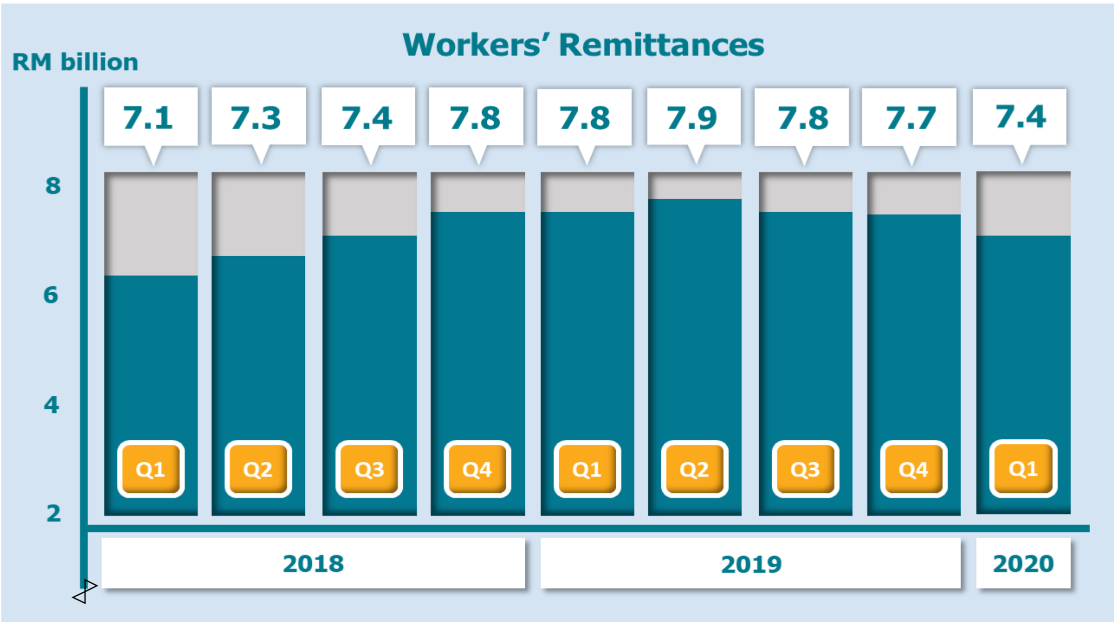
Outward remittances have been increasing at a faster pace to record RM31.2 billion in 2019 as against RM29.2 billion in previous year with the number of foreign workers at 2.9 million persons.

In Q1 2020, outward remittances in Malaysia recorded RM7.4 billion as compared to RM7.7 billion in Q4 2019. The decrease in remittances has contributed towards the lower deficit in Secondary income at RM5.4 billion as against RM5.5 billion in the previous quarter. Basically, the marginal decrease was due to the first phase of MCO that affected the operation of businesses and subsequently caused pay cuts and loss of jobs.

The remittances value is anticipated to decline sharply due to the economic uncertainty induced by the COVID-19 outbreak and MCO in the month of April and May 2020 that have affected the operation of industries, larger fall in the wages and increase the number of unemployment. Likely, foreign workers tend to be more vulnerable to loss of their jobs and salaries during this outbreak.

Before the COVID-19 pandemic, numerous concerns were raised on high reliance on foreign workers as secondary income recorded higher deficit due to increasing remittances outflow. Among the lessons learnt from the COVID-19 outbreak, establishments in Malaysia should explore more on shifting the businesses towards high technologies and high skilled labours in order to reduce the dependency and influx of foreign workers.

Figure 5: Outward Workers' Remittances by Quarterly for 2017-2020 (RM billion)

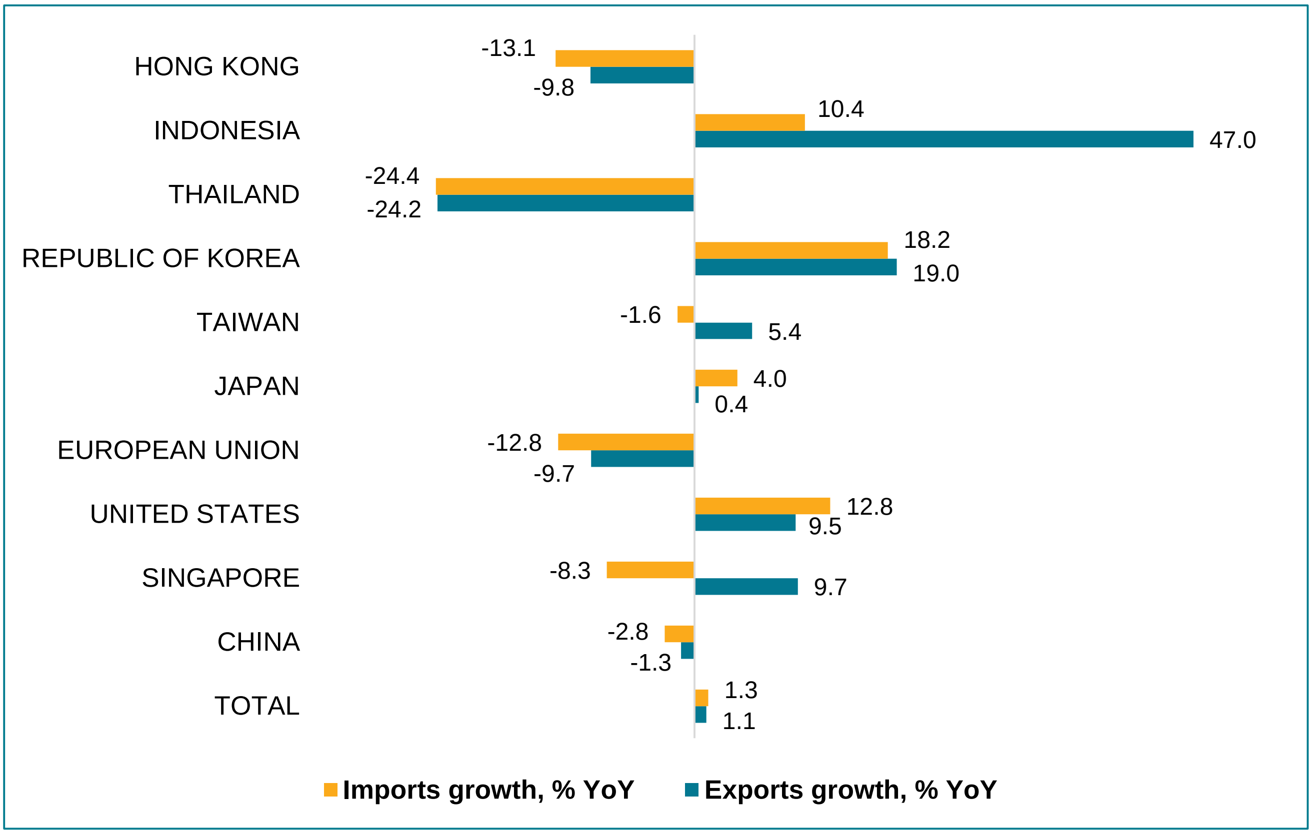


On a year-on-year basis, Malaysia's trade during Q1 2020 rebounded 1.2 per cent compared to Q1 2019, after four consecutive quarters of negative growth. Total exports during the period rose 1.1 per cent, while imports was higher by 1.3 per cent. Trade surplus in Q1 2020 grew 0.1 per cent compared to the same period of 2019.

China is Malaysia's top trading partner since 2009. The COVID-19 outbreak disrupted global supply chains as China is the substantial supplier of industrial products to the rest of the world. On a year-on-year basis, trade with China which represented 16.0 per cent of Malaysia's total trade in Q1 2020 were down by 2.1 per cent compared to the same period of 2019. Exports to China slipped by 1.3 per cent, mainly attributed to lower exports of electrical and electronic (E&E) products and liquefied natural gas (LNG). Imports from China contracted by 2.8 per cent mainly due to the decrease in imports of iron and steel bars, rods & et cetera and articles of apparel and clothing accessories.

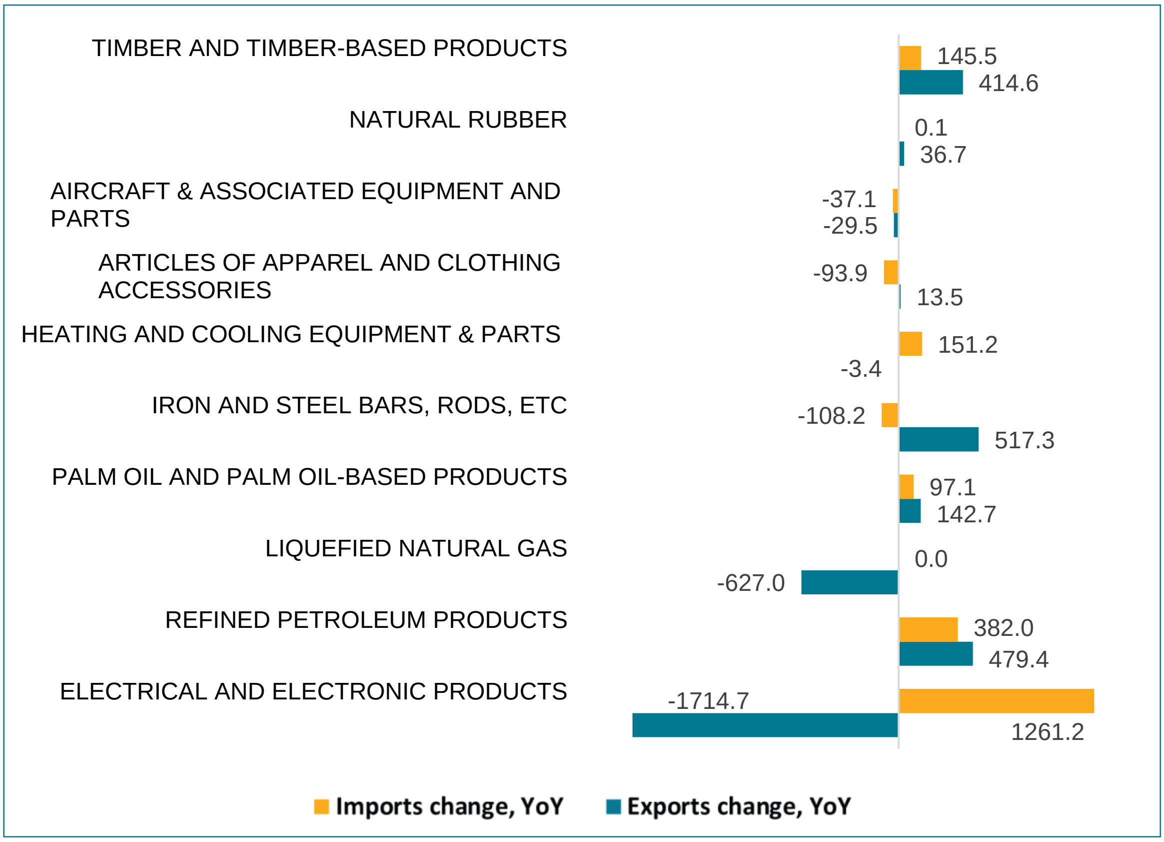
On the other hand, the US recorded 100 confirmed cases in the first week of March 2020. Thus, the impact of COVID-19 in Malaysia-US trade were yet to be apparent during Q1 2020. Merchandise trade with the US which contributed 9.6 per cent to Malaysia's total trade registered a strong increase of 10.9 per cent compared to the same period last year. Exports to the US rose by 9.5 per cent contributed by higher shipments of E&E products, timber and timber-based products and rubber gloves. Imports from the US increased by 12.8 per cent, supported mainly by higher imports of crude petroleum and aircraft & associated equipment and parts.

Chart 9: Exports and Imports between Malaysia and Top Ten Trading Partners, Q1 2020
Percentage Change from Corresponding Quarter of Preceding Year



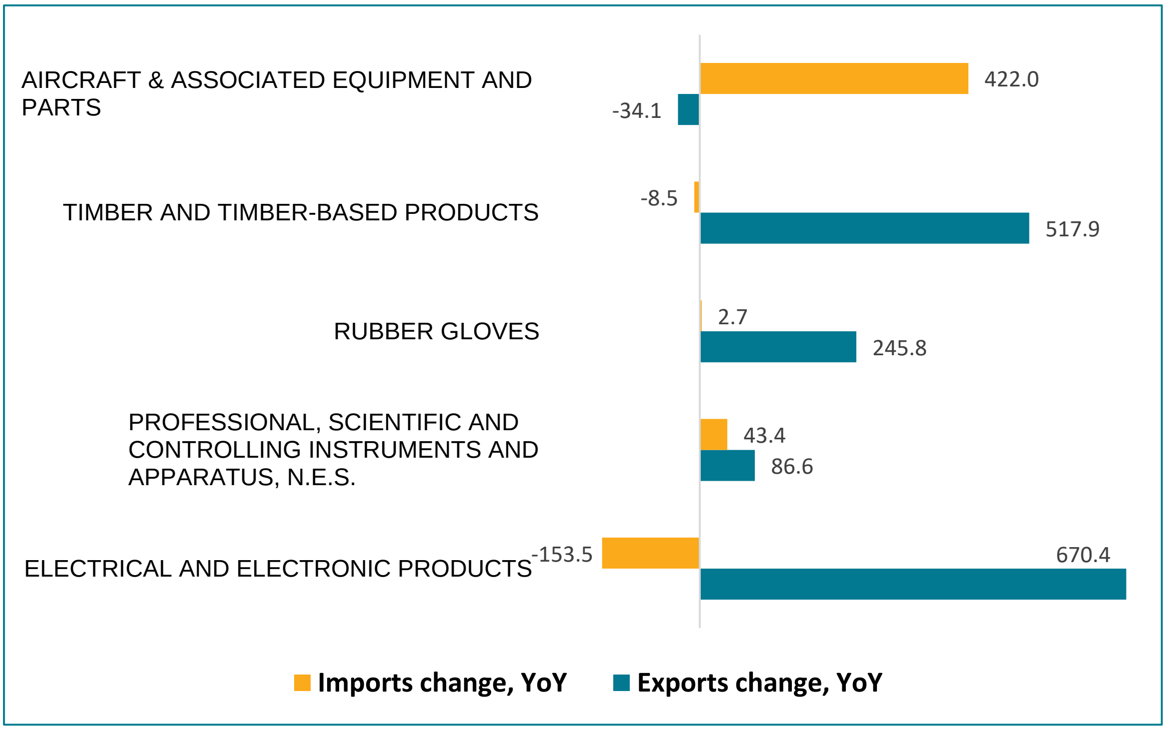
Source: Malaysia External Trade Statistics, Q1 2020 DOSM

Chart 10: Exports and Imports of Malaysia-China by Major Products, Q1 2020 Change of Value from Corresponding Quarter of Preceding Year (RM Million)



Source: Malaysia External Trade Statistics, Q1 2020 DOSM

Chart 11: Malaysia-United States Trade by Major Products Q1 2020 change of value from corresponding quarter of preceding year (RM Million)



Source: Malaysia External Trade Statistics, Q1 2020 DOSM

At present, there are approximately 1.2 million active businesses in the Malaysia Statistical Business Register (MSBR). Services sector made up the largest share with 85.4 per cent, followed by Construction (7.3%) and Manufacturing (5.0%).

According to the administrative record of the Companies Commission of Malaysia (CCM), a total of 895 new companies were registered as of April 2020, declined by nearly four times as compared to March 2020. Business registration during the same period fell by 90.3 per cent to 1,854. Meanwhile, for the Limited Liability Partnership (LLP), 38 businesses were registered in April compared to 242 in the previous month. The outbreak has caused the temporary closure of businesses, where they faced the risk of immediate cash flow constraints as their earnings decreased.

Table 1: New Business Entities Registered, January – April 2020

2020	Companies	Business	Limited Liability Partnership
January	3,603	31,013	403
February	3,807	32,936	334
March	2,375	19,169	242
April	895	1,854	38

Source: Companies Commission of Malaysia

As the pandemic hit China and spread into certain countries since December last year, the tourism industry was among the first to be impacted. The number of tourist arrivals dwindled since January 2020, while tour packages were cancelled. This, in turn affected accommodations industries.

Aviation industry was significantly impacted due to decline in demands among travellers, and flights cancelation as countries exercised border control actions. In mitigating this, the founders of AirAsia Group Berhad took the initiative to give up their salaries, while the staff has agreed to take pay cut as the budget airline grapples to manage the impact of the coronavirus pandemic. Malindo Air resort to cease all flights in April while its staff was asked to take no-pay leave.

Restaurant and hospitality industries also experienced hardship as a result of rapidly expanding social distancing requirements and travel limitations, as well as the extension of MCO.

The pandemic has also brought the real estate industry to a halt, with a major impact on the retail segment as people will hold back from buying luxury properties during this tough times. Due to the lack of confidence of the situation within the near future, coupled with the uncertainty upon the duration of the business shutdown; potential buyers are likely to wait-and-see, leading to the reduction of average sales in the first half of 2020.

The pandemic has also alerted digitalisation that facilitates dealing with the crisis. More and more businesses leveraged on the digital platform (e-commerce) during the MCO. It is expected that more new e-commerce businesses will emerge as this will be the new norm of doing business.

In addition, Ministry of Entrepreneur Development and Cooperatives (MEDAC) has initiated a programme to help SMEs during the MCO, INSKEN BizLive (the Economic Benefit Partnerships workshop for SMEs through webinars, program training, industry-selected online mentoring sessions and assistance preparing documents for financial aid applications).

Within the education industry, the temporary closure of private educational centres across the country motivated teachers to virtual learning sessions using the online platforms such as Google Classroom and Microsoft Teams for teaching purposes. These links provide features like digital books, videos, applications and quizzes.

Based on the Wholesale and Retail Trade Census released by DOSM, convenience stores, computer retail sales, security systems, perfumes and cosmetics and internet sales are among the emerging retail industries. The industries with high tendency to be obsolete are retail sales of petroleum, cooking gas, coal and firewood, music records, audio and video tapes and sales of rattan and woven goods.

Interestingly, restrictions in place with the MCO, as well as general concern on health and hygiene will accelerate the growth of smaller grocery stores as the most preferred choice for customers due to shorter queues, ample parking spaces and closer to their respective homes.

CONCLUSION

From the early indications in April and May 2020, the economic environment is foreseen to be unfavourable for Malaysian businesses. To further support this, the latest Leading Indicator (LI) signals economic recession for the next four to six months. Thus, dynamic measures are required to transform the current economic structure which is heavily dependent on commodities-based industries and low value-added industries that hires low-skilled and semi-skilled workers with low paid. As a consequence the share of Malaysia's compensation of employees to the economy is relatively low compared to advanced economies.

New ways of doing business and diversifying the economy is highly required by embracing technological advances such as the Industrial Revolution 4.0 and digitalisation of business ecosystem. With the adoption of new technologies, the business process will create decent work environment and more conducive and sustainable labour market. Besides that, the disruption in labour demand precisely for the new graduates to enter the labour market is expected in the second half of 2020. Therefore, it is vital to ensure this group of people as well as the existing unemployed person are occupied to restrain them from the social unrest. To overcome this, dedicated fund is very much desired for the upskilling and reskilling, enhance trainings on entrepreneurships and trainings on digital skills.

In this effort, Malaysia's government has responded by promptly introducing the Prihatin Rakyat Economic Stimulus Package or PRIHATIN. This initiative will ensure higher business sentiment and strengthen aggregate demand in order to address the outbreak as well as to protect the 'rakyat'. In addition, to enhance cash flow for households and businesses, various programmes have been initiated, such as the Wage Subsidy Program, moratorium on loan repayments, waivers or discounts to SMEs owned by a government-linked companies and discount scheme on monthly electricity bills has been implemented for six months, commencing April 1, 2020.

Nevertheless, it is expected this pandemic will give more profound impact to the economy, as it will affect businesses and consumers' lifestyle, leading to the transformation of how they will work, shop, and live. In this regards, it is essential for the public and private sectors to synergise in facing the current predicaments and subsequently to rejuvenate the Malaysia's economy at a swifter pace.

INDICATORS Growth (YoY,%)	2018	2019	2019				2020
			Q1	Q2	Q3	Q4	Q1
MONEY SUPPLY							
M1	1.2	5.8	2.5	3.7	4.8	5.8	7.9
M2	8.9	3.5	5.9	5.0	3.8	3.5	3.8
M3	9.1	3.5	6.0	5.1	3.9	3.5	3.7
BURSA MALAYSIA							
KLCI	-5.9	-6.0	-11.8	-1.1	-11.7	-6.0	-17.8
Value Traded	1.7	-16.0	-20.3	-21.9	-19.6	1.7	14.1
EXCHANGE RATE : RINGGIT MALAYSIA							
RM per unit							
US$ – American dollar	6.6	-2.6	-4.0	-4.8	-1.7	0.2	-2.2
STG – Pound Sterling	2.8	1.8	2.5	0.8	3.8	0.1	-0.4
SDR – Special Drawing Rights	4.7	-0.6	-0.3	-1.7	-1.4	1.1	-0.9
S$ – Singapore Dollar	4.1	-1.5	-1.5	-2.7	-1.2	-0.7	0.1
RM per 100 unit							
DM – Deutsche Mark	1.8	2.7	3.8	1.0	2.8	3.3	0.8
SF – Swiss Franc	5.9	-1.0	0.9	-3.1	-1.5	-0.4	-5.0
Yen – Japan	5.0	-3.9	-2.4	-4.1	-5.4	-3.5	-3.3
HK$ – Hong Kong	7.2	-2.6	-3.8	-4.9	-1.9	0.1	-3.1
CREDIT CARD TRANSACTION							
Total Amount of Purchases & Cash Advances	7.3	6.3	2.7	7.3	6.0	9.1	-2.6
Purchases by Local Cardholder in Malaysia	7.4	7.0	3.7	8.2	6.4	9.5	1.0
Purchases by Local Cardholder Abroad	8.6	2.7	0.2	2.8	0.9	6.3	-14.2
Cash Advances by Local Cardholder in Malaysia	10.6	4.3	6.9	7.7	4.0	-0.8	-9.1
Cash Advances by Local Cardholder Abroad	18.8	5.1	-0.1	7.1	5.0	7.8	-31.9
Purchases by Foreign Cardholders in Malaysia	2.7	6.5	-4.0	5.9	10.6	13.7	-20.3
Cash Advances by Foreign Cardholders in Malaysia	0.4	-2.6	-2.0	-0.5	-1.4	-6.6	-18.8
Total Purchases and Cash Advances in Malaysia	7.0	6.8	3.1	7.9	6.7	9.5	-1.1
Total Purchases and Cash Advances by Foreigners in Malaysia	2.5	5.8	-3.8	5.5	9.7	12.3	-20.2

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