



PRESS STATEMENT | 31 MAY 2021
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COMPREHENSIVE MEASURES REQUIRED TO WEATHER FULL LOCKDOWN

Malaysia will enter a nationwide lockdown on the 1st of June 2021, at a time when daily cases have exceeded 9000 and more than 2500 deaths. A total lockdown is undoubtedly necessary in order to “flatten the curve” and allow the healthcare system to recuperate. As the Ministry of International Trade and Industry (MITI) makes clear the list of economic and service sectors deemed “essential” we must be cognisant that this lockdown will not affect everyone equally - some will undoubtedly suffer more than others. It is counter-intuitive to avoid a lockdown in order to keep the economy going, and then avoid economic assistance when a lockdown eventually becomes necessary. In a 2020 study focused on the impact of COVID-19, the United Nations Children's Emergency Fund and United Nations Population Fund found the following numbers for Malaysia:

- 9 in 10 urban poor are self-employed with no employment coverage
- 4 out of 10 female heads of households depend on government assistance
- 6 in 10 households are unable to provide enough food for families
- 1 in 2 households are unable to pay utility bills, mortgage or rent on time
- 1 in 4 households have a reduced food intake
- 1 in 3 households are unable to provide enough money for children to buy food at school

In order for the next two weeks to be effective from a health and economic perspective, the new restrictions cannot exist in isolation. Assistance for the people is required; comprehensive measures must be introduced in order to weather the worst of the social and economic effects of the lockdown:

1. The government must provide cash assistance and food baskets for B40 Malaysians. The rakyat has already shouldered the burden by dipping into their own Employees' Fund (EPF) savings - resulting in a depletion of private retirement savings of RM78 billion. Even so, the numbers show that the most vulnerable segments are unlikely to reap the full benefits of i-Lestari withdrawal - considering the fact that almost 2.6 million EPF holders have less than RM1,000 in their Account 1. As such, the scheme will only act as emergency relief for a select few, leaving those who are most in need bereft of assistance. With businesses on hold, there is little choice for survival other than relying on government disbursement. The duty of imposing a lockdown is tied to the duty of managing the socioeconomic impacts of such a move. The government must ensure sufficient disbursement of aid to society's most vulnerable irrespective of constituencies. The fulfilment of basic necessities will go a long way in staving off short- to medium-term economic effects.

2. Reintroduce the loan moratorium, for individuals and micro, small, and medium enterprises (MSMEs). The moratorium brought significant relief to Malaysians when it was introduced last year and such an option should be made available again. This has the potential to be the difference maker in ensuring small businesses survive this period and are able to continue operating post-lockdown.

3. Increase the fiscal deficit - more spending is required in order to achieve these support mechanisms. The Finance Ministry should not fear an increased fiscal deficit given the urgency of the current public health crisis. It would be unethical and irresponsible for this to continue, especially as Malaysia's actual fiscal stimulus, at 4.7% of GDP, remains among the smallest in the Asean region. A conservative estimate sees the government raising another RM35bil in debt to fund expenditure as yields are still attractive. Spending per se is not a panacea; indeed, it would lead to further erosion of Malaysia's standing among international rating agencies if it is not coupled with transparent and detailed plans on spending priorities and a clear exit strategy.

4. These are only possible with Parliament reconvening as soon as possible in order to provide the necessary check and balance. The suspension of Parliament and the implementation of an Emergency has seen an explosion of case numbers nationwide, laying bare the claim that this was necessary to fight the pandemic. At a time when politicians argue over procurement in the media while the rakyat struggle to book their vaccine appointments it makes little sense that Parliament continues to languish unused. All governments require accountability in order to operate effectively, and Malaysia is no exception. Reopening Parliament and its various committees, including the Public Accounts Committee only benefits the country as a whole.

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SERI is a non-partisan think-tank dedicated to the promotion of evidence-based policies that address issues of inequality. For more information, please visit seri.my or send an e-mail to hello@seri.my

