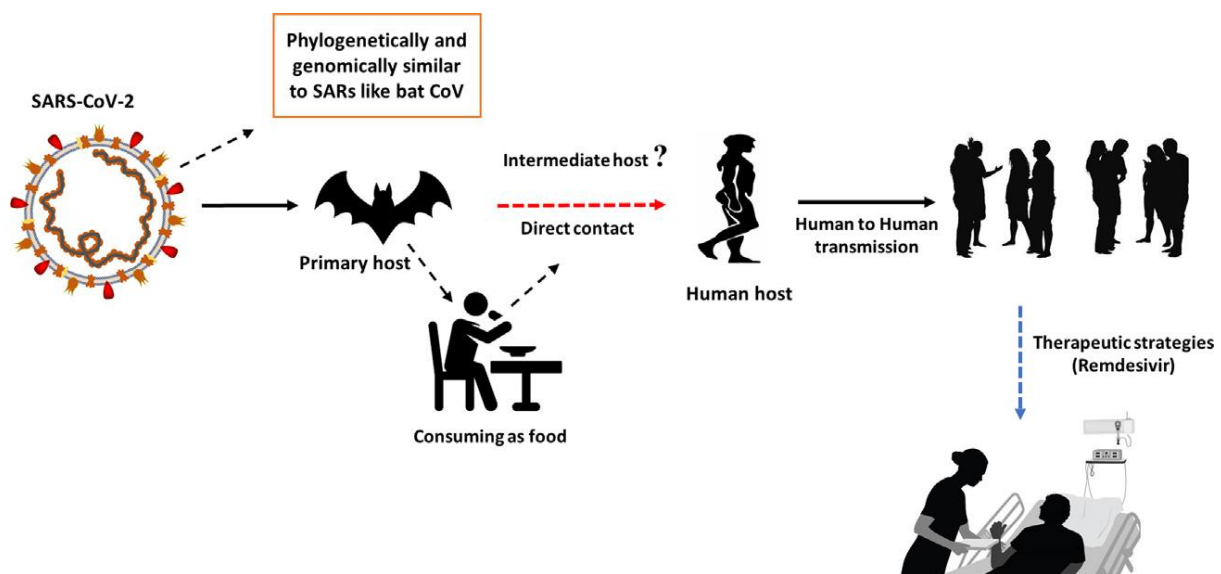


The Covid-19 pandemic has seriously impacted the Malaysian economy. If you were the finance minister of Malaysia, discuss 3 policies that you would implement, why, and how they would help Malaysia weather the crisis.

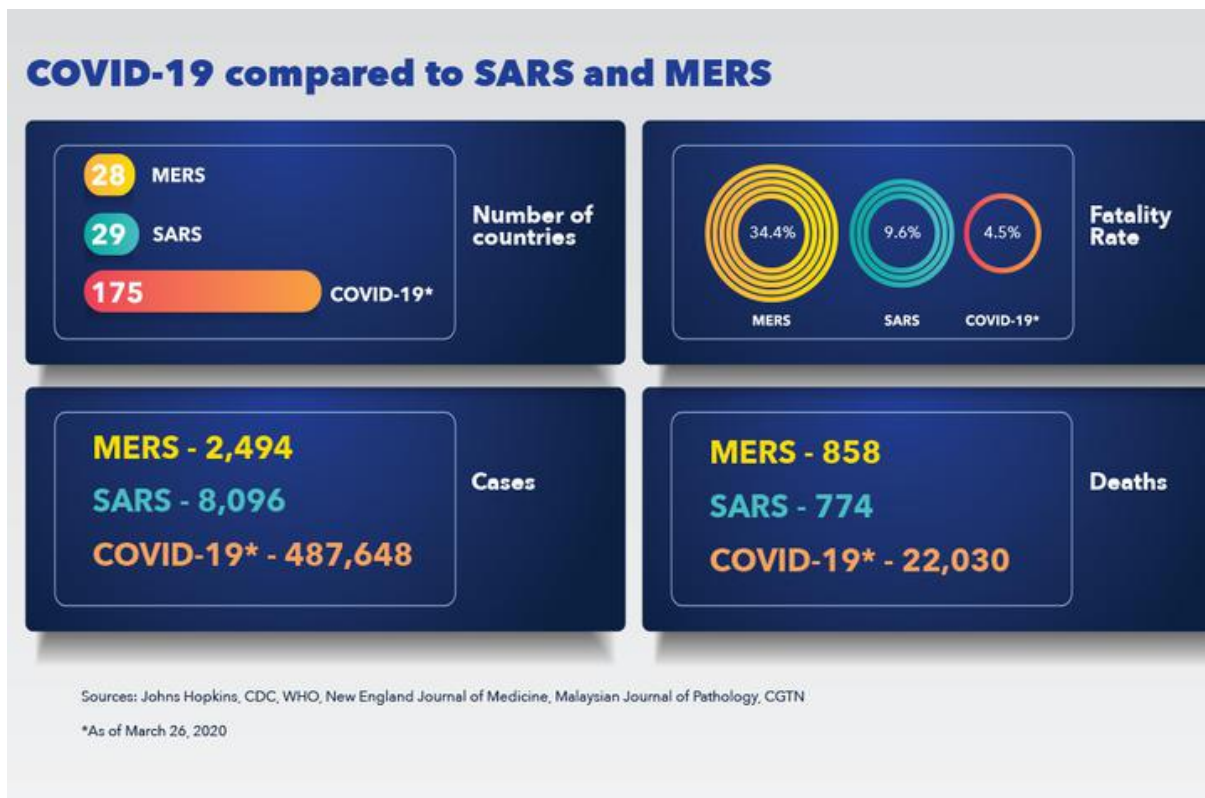
The coronavirus disease 19 (COVID-19) is the most concerning topic worldwide. It is also known as SARS-CoV-2. COVID-19 is a newly discovered strain of coronavirus that will cause respiratory infections in humans. It has emerged in Wuhan, China (World Health Organization, 2020). The Chinese government has informed the World Health Organization about there are several cases of pneumonia with unfamiliar aetiology at the end of 2019. According to the National Health Commission of China, the patients who have been infected by coronavirus may visit the seafood market in China which sold live animals. For instance, bats and rabbits. The primary host of coronavirus is humans who eat the infected bats as a source of food. However, the virus also can be transmitted by humans to humans due to close contact. This transmission process is illustrated in Picture 1 below. The coronavirus also can be exposed by coughing and sneezing by the infected humans (Shereen, 2020).



Picture 1: *Ways of transmission of the coronavirus*

Source: ScienceDirect

On 24 January 2020, the first case of COVID-19 was detected in Malaysia. There are a total of 22 cases being detected and 12 cases had travelled to affected countries and regions, 8 cases due to close contacts and 2 cases from a humanitarian mission (World Health Organization, 2020). Based on the medical studies, COVID-19 has a high transmission rate compared to SARS and MERS. This can be proven by comparing the number of countries which are infected by a coronavirus. There are 175 countries infected by coronavirus compared to 29 countries affected by SARS and 28 countries infected by MERS. This is shown in Picture 2. To date, there are 216 countries infected by COVID-19 as reported by the WHO.



Picture 2: *The statistic of COVID-19 compared to SARS and MERS*

The impacts of COVID-19 on Malaysia's economy can be seen via high unemployment rate and depreciation in Malaysian Ringgit against USD. In 2019, the unemployment rate of Malaysia is 3.3% which means there are 508,200 individuals unemployed. The COVID-19 pandemic has seriously impacted the Malaysian economy. This can be shown by comparing the unemployment rate in Malaysia. In January 2020, the unemployment rate is 3.2% but there is a continuous increase in the unemployment rate until

May 2020 and it reaches 5.3%. This is shown in Figure 1 below. This is not a good phenomenon because there is a negative trend in the labour demand (Shankar, 2020).

Malaysia unemployment rate from 2008 to May 2020

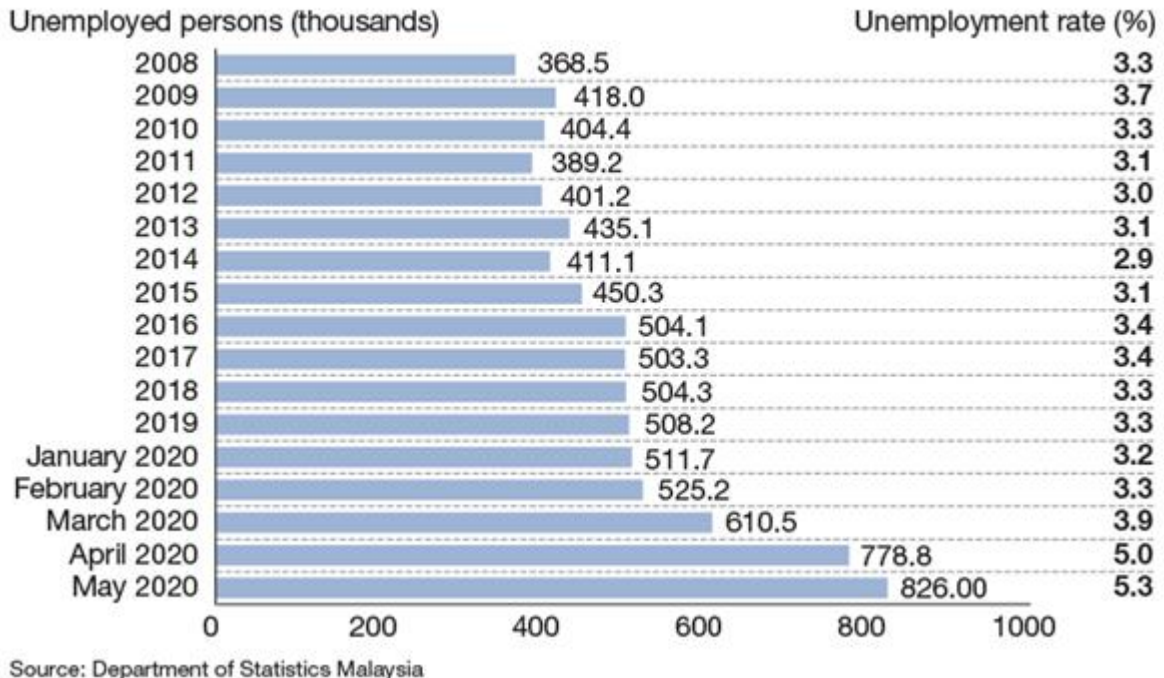


Figure 1: *Malaysia unemployment rate from 2008 to May 2020*

On the other hand, the relative level of economic health can be determined by the foreign exchange rate. This is because the foreign exchange rate plays a fundamental role in a country's level of trade. Malaysia's exchange rate for March 2019 is RM4.08 in exchange for 1 USD and it has depreciated to RM4.26 in exchange for 1 USD in July 2020. This is shown in Figure 2 below. Weaker exchange rates will lead to cost-push inflation as the cost of imported raw materials are rising. This will impact almost all the sectors especially the manufacturing sectors in Malaysia as most of the machineries are imported from China and Japan. Weakened currency adversely affects the purchasing power of Malaysian Ringgit as more Malaysian Ringgit is required to exchange for the US Dollars. This means that living standards of citizens in Malaysia decrease due to lower purchasing power.

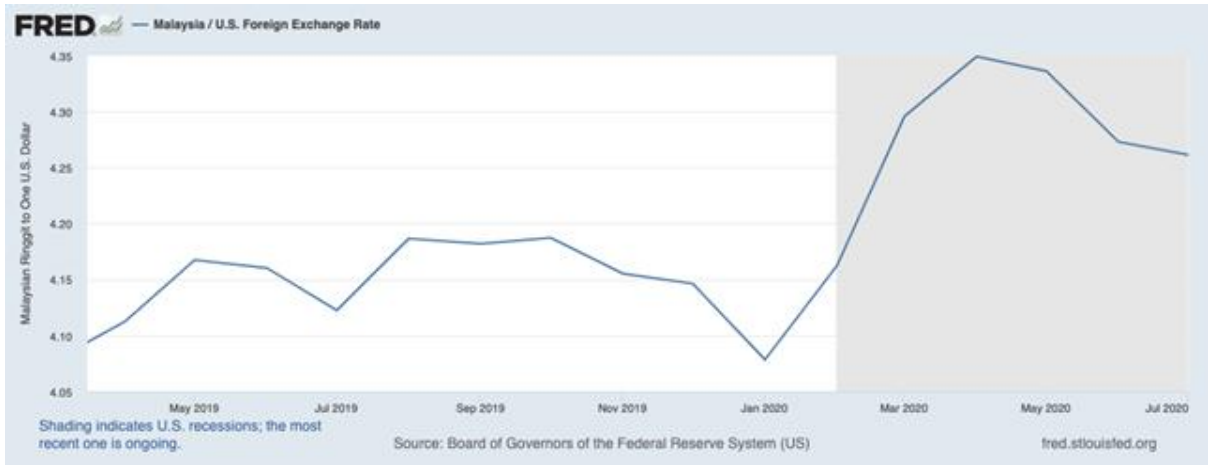


Figure 2: *Malaysia/ United States Foreign Exchange Rate*

One of the sectors in Malaysia that is severely impacted by the COVID-19 pandemic is tourism sector. Based on Figure 3 below, there is a steep fall in the number of tourist arrivals in Malaysia. In the year 2019, the total tourist arrivals in Malaysia were recorded at 26,100,784 but it has fallen by 21,847,787 to 4,252,997 as of mid-2020.

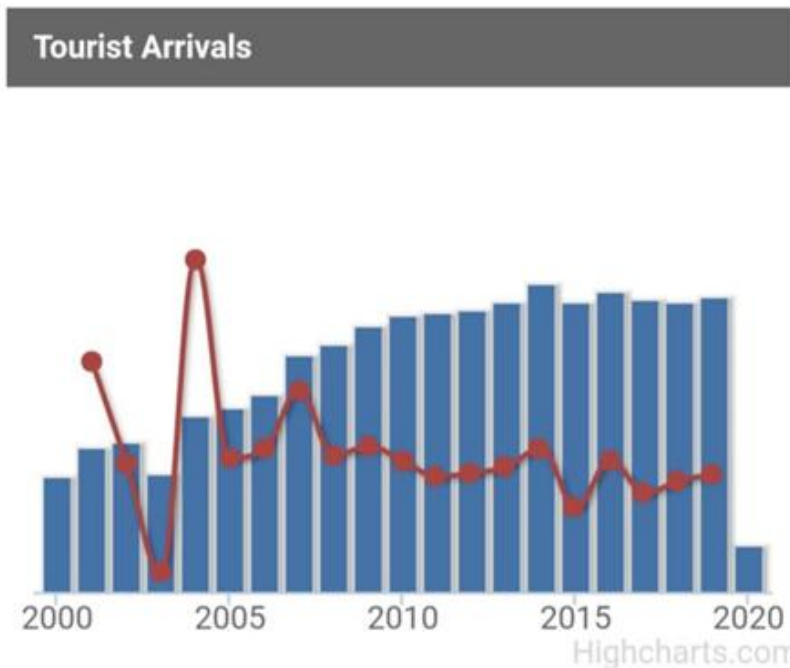


Figure 3: *Tourist arrivals in Malaysia from 2000 to 2020*

Source: My Tourism Data

It is acknowledged that the tourism sector in Malaysia plays an important role in boosting economic growth by promoting foreign spending on goods and services in Malaysia. If the number of tourists continuously decreases, some of the tourism industry will be forced to shut down due to unbearable losses and unable to pay workers' salaries. At the same time, other non-essential sectors were also forced to cease their operations during the MCO. For instance, the economic activities in the manufacturing and construction sectors were put on hold in order to control the spread of COVID-19 in Malaysia. That is why financial support from the government to the affected sectors is important. This is aligned with Keynesian view on government roleplay during the economic recession.

From the above discussions on the impacts of COVID-19 to Malaysia's economy, as a finance minister of Malaysia, I would implement expansionary fiscal policy by increasing the existing financial aid provision to the small and medium-sized enterprises (SMEs). To date, the government has provided RM13.8 billion worth wage subsidy via wage subsidy programme with aims to benefit 4.8 million workers and the employers from small and medium-sized enterprises (Tan, 2020). However, this is not sufficient to support these workers and employers throughout the battle with COVID-19 pandemic due to prolongation in the Recovery Movement Control Order (RMCO) which ends in December 2020. The purpose of providing financial aid to small and medium-sized enterprises (SMEs) is to ensure their business is able to cope with the fixed costs such as monthly rentals, worker's salaries and so on and so forth. This is also to ensure the business can overcome the other challenges imposed by the COVID-19 pandemic.

Apart from that, as a finance minister, I would give voucher consumption to the citizens instead of giving cash. The objective of this voucher consumption is to revive economic activities amid the coronavirus outbreak by encouraging consumer spending on the local businesses. The reason for giving voucher consumption is to ensure the citizens consume the voucher consumption on locally produced goods and services, not on the imported products. Cash provision is not effective because people are not spending the cash based on the government's main intention, which is to increase domestic support to local businesses as pointed out in a study by Tang (2020).

Consumer Spending in Malaysia decreased to 165783 MYR Million in the second quarter of 2020 from 212257 MYR Million in the first quarter of 2020.



Figure 4: *Consumer Spending in Malaysia*

Source: Department of Statistics, Malaysia

Consumer spending is totally important in an economy because it can determine economic health. If consumers do not spend their money in the market, this will cause the cash flow to become less fluent. It means the small and medium-sized enterprises (SMEs) and companies will not be profitable due to low demand for goods and services in the market. In the first quarter of 2020, consumer spending in Malaysia is recorded at RM212,257 million. It decreased to RM 165,783 million in the second quarter of 2020, which is shown in Figure 4 above. This has proved that the current consumer spending in the market is not healthy. Thus, provision of voucher consumption can boost consumers' spending on local products and services. It can increase the aggregate demand for the goods and services in the economy. The cash flows in the market will become fluent if there are demands and supplies in the market. The demands and supplies in the market are closely related and both parties are mutually interdependent. This will help Malaysia in overcoming the economic slump.

In addition, the vouchers' value needs to be increased because it is not sufficient to support their daily expenses, especially to low-income families, unemployed people and part-time employers. Currently, the government has provided RM 35 billion via Penjana program with the aims to empower the citizens, propel businesses and inspire the economy (Cheong, 2020). By increasing the voucher's value, it can increase the aggregate demand via higher spending and this will slowly eliminate the recessionary gap in Malaysia. As a finance

minister of Malaysia, I would like to suggest variations of vouchers with different functions for example, vouchers for grocery shopping in selected local businesses and e-vouchers for selected online local stores.

The Ministry of Higher Education (MOHE) has announced temporary suspension on all physical learnings during the MCO period. Later, the MOHE relaxed its policies in order to allow the resumption of learning so that students can continue their study without any disruption. However, all learning was executed in an online medium which is a new experience to most of the students in Malaysia. To ensure optimal learning experience, I would like to suggest free e-text books to all Malaysian students particularly the college and university students. In addition to this, I also suggest provision of laptops to the real hard-core poor students (mean-tested benefits) and tablets vouchers to all Malaysian students regardless of their families background (universal benefits). It is acknowledged that not every student has their laptop or tablet at home. It is hoped that the initiatives can reduce the burden for the parents to provide necessary equipment for the children to have an optimal learning experience during the MCO or RMCO periods.

Last but not least, as a finance minister, I would like to adopt the Coronavirus Aid, Relief and Economy Security Act (CARES) Act that is implemented in the United States of America. It is an economic relief package to protect citizens from the economic impacts of COVID-19 (U.S. Department of the Treasury, 2020). The CARES Act includes expansion of unemployment insurance, substantial resources for the small and medium-sized enterprises (SMEs) and health coverage. Unemployment insurance will provide benefits to unemployed citizens. Health coverage is a program that provides health care services for the needed citizens during a public health crisis. Not only that, it also covers the costs for the hospitals and states by providing critical resources (Parrott, 2020). The CARES Act also provides loans to small and medium-sized enterprises (SMEs). With the loans, the small and medium-sized enterprises (SMEs) can solve their temporary financial problem, that is insufficient financial resources. The small and medium-sized enterprises (SMEs) can use the loan in supporting their businesses' production costs during the pandemic. The CARES Act will provide wider protection to all the citizens in Malaysia. For instance, it will provide the fund to unemployed people which allows them to afford the daily expenses during this pandemic period. In the meantime, this can lighten their burden because most of the families have been affected by COVID-19 pandemic. This means most of the labours have been forced to resign,

while they still need to support their family expenses. With the CARES Act, the financial burden of unemployed people are reduced. The hospitals today are bombarded with the COVID-19 patients and all the frontliners in the hospital are at higher risks as their life is compromised due to the risk of getting the virus. The hospitals experienced limited resources like surgery masks, disposable protective suits and other necessary resources in order for the doctors to treat the COVID-19 patients. In light of this issue, the CARES Act will provide the critical resources to the hospitals so that the frontliners and the patients will have higher survival rates.

In a nutshell, the COVID-19 pandemic has seriously impacted the Malaysian economy. Therefore the finance minister plays an essential role in this crucial period in order to help Malaysia weather the crisis. I believe that all policies that I have suggested will be able to help most of the Malaysians if not all throughout this challenging period especially the small and medium-sized enterprises and underprivileged families. However, this will not work if there is no unity in Malaysia. Thus, every individual has its own responsibilities to help Malaysia in winning this war. To end my essay, I would like to quote a speech by Amit Ray in regards to unity, “The world needs huge positive energy to fight against the negative forces. Go to the center of your inner beginning and generate that positive energy for the welfare of humanity.”

(1,974 words)

References

Cheong, A. (2020). *Penjana Economic Recovery Plan: Highlights for Individuals and Businesses*. Retrieved on 13th September 2020, from: <https://ringgitplus.com/en/blog/personal-finance-news/penjana-economic-recovery-plan-highlights-for-individuals-and-businesses.html#:~:text=The%20PENJANA%20plan%2C%20which%20sees,businesses%2C%20and%20stimulate%20the%20economy.>

Parrott, S., Stone, C., Huang, C. C., Leachman, M., Bailey, P., Aron, A., Dean, S. and Pavetti, L. (2020). *CARES Act Includes Essential Measures to Respond to Public Health, Economic Crises, But More Will Be Needed*. Retrieved on 12th September 2020, from: <https://www.cbpp.org/research/economy/cares-act-includes-essential-measures-to-respond-to-public-health-economic-crises>

Shankar, A. C. (2020). *Malaysia unemployment rate escalates to 5.3% in May*. Retrieved on 26th August 2020, from: <https://www.theedgemarkets.com/article/malaysia-unemployment-rate-escalates-53-may>

Shereen, M. A., Khan, S., Kazmi, A., Bashir, N. & Siddique, R. (2020). *COVID-19 infection: Origin, transmission, and characteristics of human coronaviruses*. Retrieved on 23rd August 2020, from: www.elsevier.com/locate/jare

Tan, T., Bedi, R. S. & Tan, A. (2020). *4.8 million SME workers to benefit from revised wage subsidy programme*. Retrieved on 30th August 2020, from: <https://www.thestar.com.my/news/nation/2020/04/06/48-million-sme-workers-to-benefit-from-revised-wage-subsidy-programme>

Tang, A. (2020). *Malaysia announces movement control order after spike in Covid-19 cases (updated)*. Retrieved on 1st September 2020, from: <https://www.thestar.com.my/news/nation/2020/03/16/malaysia-announces-restricted-movement-measure-after-spike-in-covid-19-cases>

Tang, F. (2020). *Coronavirus: China handing out more vouchers to spur spending, but cash handout still unlikely*. Retrieved on 1st September 2020, from:

<https://www.scmp.com/economy/china-economy/article/3078838/coronavirus-china-handing-out-more-vouchers-spur-spending>

U.S. Department of the Treasury (2020). *The CARES Act Works for All Americans*. Retrieved on 12th September 2020, from: <https://home.treasury.gov/policy-issues/cares>

World Health Organization (2020). Coronavirus disease (COVID-19) in Malaysia. Retrieved on 23rd August 2020, from: [https://www.who.int/malaysia/emergencies/coronavirus-disease-\(covid-19\)-in-malaysia](https://www.who.int/malaysia/emergencies/coronavirus-disease-(covid-19)-in-malaysia)