

SNAPSHOT

1 JUNE 2021

MCO 3.0 & PEMERKASA+

Today, Malaysians return to a full lockdown (MCO 3.0), similar to MCO 1.0 (18th March 2020 to 3rd May 2020) with only essential economic and services sectors allowed to operate for 2 weeks from 1st to 14th June. Subject to the Ministry of Health's assessment on the number of daily Covid-19 cases and capacity of hospitals and intensive care units, this lockdown is expected to transition into subsequent phases thereafter, with restrictions progressively eased.

While the varying degrees of phases is necessary to balance between public health safety and economic survival, we expect every **2 weeks of nationwide lockdown to shave 0.2% - 0.3% points off GDP growth**. This brings our **GDP forecast** closer to a range of **4.5% and 5.5%** (2020: -5.6%), a downward revision from our previous estimate of 5.5% and 6.5%. The significant drag will arise from the first 2 weeks of total lockdown. For reference, the economy was operating close to 40 – 45% capacity, with daily losses of about RM2.4 bil during MCO 1.0. We expect the **impact of MCO 3.0 to be less severe than MCO 1.0** as the classification of essential services is broader this time, with the inclusion of construction and mining sectors as well as supporting industries involved in the supply chain of essential services.

The announcement of **PERMERKASA+** yesterday entails **RM40 bil** in new financial assistance or **~2.8% of GDP**. The bulk of which comprises liquidity and credit assistance (RM35 bil) vs direct fiscal injection (RM5 bil). To date, the government had rolled out **RM380 bil or ~27% of GDP worth of fiscal stimulus programmes**. Although direct fiscal measures dwarf in comparison to previous packages due to the constrained government finances at this juncture, it **provides some respite to businesses and consumers in need**. Most of the measures are not new, with bigger allocation amount and continuation of current aid from past packages. The **reduced mobility and weaker demand condition will hurt the performance** of retail & wholesales, property, automotive and transport industries. However, the extension of stamp duty exemption under the House Ownership Campaign and vehicle sales tax until year-end should boost consumption in 2H 2021. Government's pledge for a faster and more effective vaccine rollout is critical to a stronger recovery momentum.

Date	Stimulus packages	RM bil
27-Mar-20	Prihatin	250
6-Apr-20	Prihatin SMEs	10
9-Jun-20	PENJANA	35
23-Sep-20	Kita Prihatin	10
18-Jan-21	PERMAI	15
17-Mar-21	PemerKasa	20
31-May-21	PemerKasa +	40
Total		380

KEY HIGHLIGHTS

Automatic loan moratorium: The B40 group and those affected by losses of income, as well as SMEs not operating during the lockdown are eligible for a 3-month automatic loan moratorium or up to 6 months of reduced instalments. As most banks already have targeted relief assistance programmes in place till year-end, this is a welcomed measure but with limited additional impact.

RM2.1 bil Bantuan Prihatin Rakyat: Households earning below RM2,500 will receive RM500; households earning between RM2,501 and RM5,000, will receive RM300. Malaysians who are single will get RM100. This additional aid, apart from the scheduled Phase 2 pay out in May and upcoming Phase 3 handout in September, will be credited to the recipients' account by June. These recipients will also benefit from the **RM2 bil Jaringan Prihatin programme for internet data services** and subscription/mobile device purchases. While these additional payments may not be sufficient to cover potential job losses, it still has some positive impact to low income households to weather through the lockdown.

Additional RM2 bil facility for SMEs: Extra RM2 bil has been allocated in BNM's Targeted Relief and Recovery Facility for affected SMEs, bringing the total programme size to RM7 bil. Positive impact.

RM1.5 bil micro-credit scheme: Allocation for micro-SMEs who wish to get microcredit for working capital, with financing rates as low as 3% from BSN, TEKUN, MARA, SME Corp. dan YAPEIM. **Payment of Geran Khas Prihatin (GKP) that will begin in June 2021 will be increased from RM1,000 to RM1,500 each** and is expected to benefit close to 1.2 mil micro-SMEs in Malaysia. Positive impact.

RM1.5 bil extension of wage subsidy: To benefit 2.5 million employees and some 200,000 employers. The 1-month wage subsidy extension under PERKESO for all affected industries, capped at 500 staff, is viewed positively.

RM1 bil bus and taxi recapitalisation scheme: 12-month moratorium on hire-purchase agreements and one-off aid of RM500 to tourist drivers, taxi drivers, bus drivers and e-hailing drivers. Positive impact, but longer-term plans such as subsidy and lead time for preparations to service and sanitise vehicles, as well as renewal of licenses should be given before economy reopens.

RM1 bil to boost public health capacity: RM550 million will be spent on Covid-19 expenses for several agencies including running quarantine centres, additional manpower and medicines while RM450 million on increasing beds and ICU capacity for Covid-19 patients in public hospitals, university hospitals and field hospitals. Although some budget could have been allocated towards **preventive action** such as a better contact tracing system and mass screenings nationwide during the lockdown, this measure is still viewed to have positive impact.

10% electricity bill discounts: Extension given to affected sectors such as hoteliers, tourist agencies, shopping malls, convention centres, theme parks, local airlines for extra three months from July to September. Positive impact.

Timeline	States	Duration	Economic activity	Radius movement
MCO 1.0	All states	47 days (18 March to 3 May 2020)	All industries closed except for infrastructure services and supermarkets, wet market, healthcare services, grocery stores and multifunctional stores selling daily necessities	10km
MCO 2.0	Penang, Selangor, KL, Putrajaya, Labuan, Melaka, Johor and Sabah	14 days (13 January to 26 January 2021)	Manufacturing, construction, services, trade and distribution, plantations and commodities. Supermarkets, healthcare services (including clinics, hospitals and pharmacies).	10km
MCO 3.0	All states	27 days (12 May to 7 June 2021)	Most economic activities allowed to operate except for spas, reflexology, gyms, classes (tuition, music, dance), pubs and nightclubs, theme parks, karaoke and cinemas.	Within the same administrative district
MCO 3.0 (1 - 14 June)	All states	14 days (1 June to 14 June 2021)	Only 17 essential services allowed to be open	10km

Essential services include F&B, health and medical care, water, energy, security and safety, defence, emergency, welfare and humanitarian assistance, solid waste management and public cleaning and sewerage, transportation by land, water or air, services and operations of ports, shipyards and airports, communications, banking, insurance, takaful and capital markets, community credit-mortgage only, e-commerce and information technology, production, distillation, storage, supply and distribution of fuels and lubricants, hotels and accommodation that are not for tourism purposes, critical construction, maintenance and repairs, forestry services (limited to enforcement) and wildlife, as well as logistics (limited to the delivery of necessary services)

Sources: Prime Minister's Office and SCEA compilation

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