

# SNAPSHOT

29 JUNE 2021

## PEMULIH

After the PEMERKASA+ stimulus package announced on 31 May 2021, the Prime Minister unveiled a **RM150 bil Pakej Perlindungan Rakyat & Pemulihan Ekonomi (PEMULIH) stimulus package (~9.6% of GDP)** yesterday. This is in response to the extension of the Full MCO 3.0 into July. PEMULIH is by far the **second largest aid package** since the onset of the pandemic and is viewed to be **comprehensive** as it targets various parts of the economy that are in need. Cumulatively, **total stimulus packages amount to RM530 bil or 34% of GDP.**

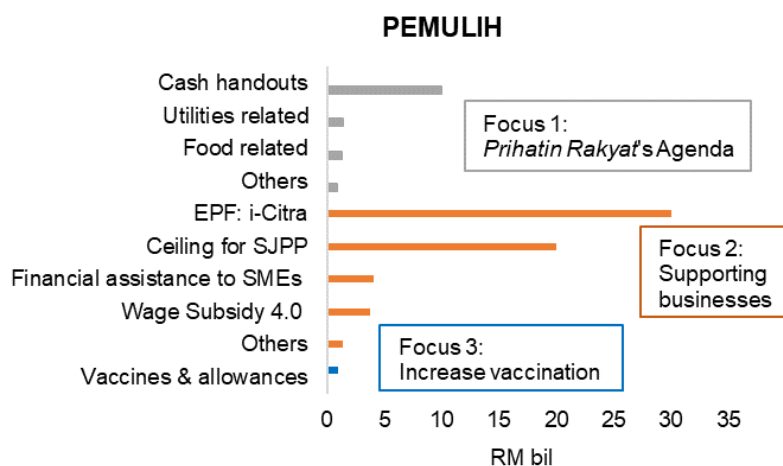
As fiscal space is tight, PEMULIH **only entails RM10 bil of direct fiscal injection, a mere 0.6% of GDP** or 7% share of the package. We opine that the government's fiscal deficit target of 6% of GDP in 2021 will be breached.

Nonetheless, **greater financial assistance is a welcome respite** to businesses in need. Most of the measures are not new, with bigger allocation amount and continuation of current aid from past packages, but with extended coverage to reach out to a wider base.

Aid came largely in the form of grants, one-off payments, funds to SMEs, micro-credit schemes, higher ceiling for a government guarantee scheme i.e. Syarikat Jaminan Pembiayaan Perniagaan (SJPP), and automatic loan moratorium for all borrowers that applies regardless of income. Besides these, the package also features cash assistance, employment and income loss assistance schemes, food bank programmes, cooking oil subsidies and electricity bill discounts.

| Date      | Stimulus packages (RM bil) | Direct fiscal injection (RM bil) | %          |
|-----------|----------------------------|----------------------------------|------------|
| 27-Mar-20 | Prihatin 250               | 25                               | 10%        |
| 6-Apr-20  | Prihatin SMEs 10           | 10                               | 100%       |
| 9-Jun-20  | PENJANA 35                 | 10                               | 29%        |
| 23-Sep-20 | Kita Prihatin 10           | 10                               | 100%       |
| 18-Jan-21 | PERMAI 15                  | 2                                | 13%        |
| 17-Mar-21 | PemerKasa 20               | 11                               | 55%        |
| 31-May-21 | PemerKasa + 40             | 5                                | 13%        |
| 28-Jun-21 | PEMULIH 150                | 10                               | 7%         |
|           | <b>Total</b> 530           | <b>83</b>                        | <b>16%</b> |

Figure 1: PEMULIH, temporary stabiliser till year-end



To date, BNM has yet to revise its GDP forecast of 6.0%–7.5%. The projection, published back in March 2021, does not take into consideration the recently announced National Recovery Plan and the latest development of Covid-19 situation. Although **recovery is on the cards for 2H 2021 and 2022 as vaccination drive accelerates, large scale revenue spending is unlikely to occur** as consumers will need time to replenish their savings/loss of income. In line with World Bank's latest GDP revision downwards to 4.5%, **SCEA's 2021 economic forecast is between 4.5% and 5.5%, with greater downside risks if MCO drags on.**

According to SME Association of Malaysia, some 100,000 companies have ceased operations since MCO 1.0 and at least 50,000 more would be affected should the current MCO 3.0 extend until the end of July. This accounts for 13.6% of SMEs in Malaysia. As SMEs' contribution to the economy stands at around 39%, this would add downward pressure to our forecast. Wage Subsidy 4.0 and Special Prihatin Grant 4.0 under PEMULIH, however, moderate the risk.

## KEY HIGHLIGHTS

- (1) **New EPF withdrawal (i-Citra) and blanket moratorium** for households facing tight cashflow. Estimated at RM30 bil, individuals can dip into their EPF savings of up to RM5,000 (RM1,000/month for 5 months) through i-Citra. This comes on top of the RM72 bil withdrawn under i-Lestari (ended in June 2021) and i-Sinar (ended in March 2021). In addition, **loan obligations are put on hold** with a new automatic moratorium for all individual and SME borrowers for 3 months (or 6 months of 50% reduced instalments), an 'opt-in' deferment of insurance premiums until Dec, and temporary freeze or restructuring of student loans.
- (2) **Extended cash transfer.** On top of the RM4.9 bil Bantuan Prihatin Rakyat to be disbursed till year end, the government is allocating **RM4.6 bil Bantuan Khas Covid-19 (BKS)** for the hardcore poor, B40 and M40 households and individuals.
- (3) **Wage Subsidy 4.0 (RM3.8 bil)** aims to lend support of RM600/month to all sectors in Phase 2 of recovery (2 months) and sectors in the Negative List during Phase 3 of recovery (2 months). Previously, the wage subsidy is only applicable for workers with salaries RM4,000/month. To date, the government had spent RM15 bil on wage subsidies which helped cushion the incomes of more than 2.5 mil workers.
- (4) **Special Prihatin Grant 4.0 (RM1.0 bil)** to 1 million micro-SMEs such as hairdressers, workshops and bakeries. Total grants to date amounts to RM5.1 bil.

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## Timeline and conditions for the **recovery phases** in 2H 2021:

| Phase | Month     | Average Covid cases | Vaccinated population | Public health system | Utilisation of ICUs |
|-------|-----------|---------------------|-----------------------|----------------------|---------------------|
| 1     | Jun       | n/a                 | n/a                   | n/a                  | n/a                 |
| 2     | mid-July? | <4000               | 10%                   | No longer critical   | Moderate            |
|       | Aug       |                     |                       |                      |                     |
| 3     | Sept      | <2000               | 40%                   | Comfortable          | Adequate            |
|       | Oct       |                     |                       |                      |                     |
| 4     | Nov       | <500                | 60%                   | Safe                 | Adequate            |
|       | Dec       |                     |                       |                      |                     |

Sources: Prime Minister's Office and SCEA compilation

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