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### ВЛИЯНИЕ COVID-19 НА ЭКОНОМИКУ МАЛАЙЗИИ

Аннотация: в статье исследуются последствия пандемии COVID-19 на макроэкономическое развитие Малайзии. ВВП Малайзии сократился на 17,1 процента в годовом исчислении во втором квартале 2020 года, что стало самым резким снижением с тех пор, как в 1998 году произошел азиатский финансовый кризис. Ситуация с COVID-19 также оказала значительное влияние на рынок труда Малайзии и ее рабочую силу.

Ключевые слова: ВВП, Малайзия, COVID-19, уровень безработицы, фискальная политика.

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## THE EFFECT OF COVID-19 ON THE ECONOMY OF MALAYSIA

**Abstract:** The article examines the consequences of the COVID-19 pandemic on the macroeconomic development of Malaysia. Malaysia's GDP shrank by 17.1 percent year-on-year in the second quarter of 2020, the sharpest decline since the Asian financial crisis hit in 1998. The COVID-19 situation has also had a significant impact on Malaysia's labor market and its workforce.

**Keywords:** GDP, Malaysia, COVID-19, unemployment rate, fiscal policy

On January 25, 2020, the first COVID-19 case in Malaysia was discovered. The Malaysian government announced statewide mobility restrictions on March 18, 2020, as a result of a sharp increase in new coronavirus infections by March. A second wave of illnesses began in September 2020, despite earlier success in reducing infection rates—with the statewide travel restrictions progressively loosening by May 2020. The number of cases has skyrocketed once more.

COVID-19 has had disastrous effects on the Malaysian economy in addition to the general public's health. The causes of economic harm come from two different places: externally, as a result of the coronavirus's effects abroad, such as decreased external demand and increased global uncertainty; and internally, as a result of the income and production effects of the implementation of social distancing and closure requirements as part of the nationwide movement controls.

Trade ties are the primary means by which the COVID-19 shock is transmitted to the outside world [2]. Global lockdowns have decreased demand for Malaysian goods, which was already under pressure in 2018 and 2019 because to rising trade uncertainty caused by the US-China trade disputes. The Malaysian economy is among

the most open to trade and among the most interconnected in terms of global value chains in the Asia Pacific region, which only serves to exacerbate the situation. Another source of economic shocks is domestic. The mobility restrictions have had a significant financial impact despite being a crucial step in containing the coronavirus outbreak in Malaysia. The movement restrictions, forced business and service closures, and the devastation of consumption and investment have had a significant influence on both supply and demand.

The effects of the crisis on economic growth have been significant. The Malaysian GDP shrank 17.1 percent year over year in the second quarter of 2020, the sharpest decline since the years following the Asian Financial Crisis in 1998. Following the gradual easing of movement restrictions, Malaysia's GDP (gross domestic product) during the third quarter of 2020 fell by 2.7 percent. However, unlike the quick economic rebound Malaysia experienced following the Global Financial Crisis in 2009, this time around, the country's return to pre-crisis GDP levels would be sluggish [1]. Back in 2009, the GDP was able to reach pre-crisis levels in less than a year thanks to a fast recovery in oil and electronic exports as well as a rise in foreign investment. Today, low global energy prices, muted demand from the world's major economies, and a likely slow recovery in global trade make a "V-shaped" recovery far less likely.

The COVID-19 dilemma has had negative consequences on the economy as well as the labor market and workers in Malaysia. Slack in the labor market metrics reached the greatest levels in decades, and latest figures reveal that despite loosening mobility limits, the headline jobless rate is still lingering near multi-decade highs. However, recent research has also demonstrated that there have been significant distributional implications in Malaysia outside of the headline unemployment figure [4]. The COVID-19 crisis has most severely affected marginalized worker groups like women, youth, and those with less education, while highly educated male employees have been mainly shielded from the pandemic's effects on employment. At the same time, there is evidence of high levels of labour market exit for women and youth workers in recent

months as labour market conditions deteriorated [4]. Overall, the crisis has deepened existing inequalities in the economy and society.

In response, the Malaysian government has allocated an estimated RM 305 billion in fiscal and non/quasi-fiscal measures to respond to the COVID-19 crisis since the start of the year to November 2020. However, while the entire size of the announced package is approximately 20% of GDP, the real fiscal measures only account for approximately 3.8% of GDP, or roughly RM 55 billion. The remaining RM 250 billion is largely made up of non-fiscal or quasi-fiscal measures, such as loan guarantees for small firms and moratoria on debt repayments, which are supported not by the federal government but rather by entities with ties to the government or the banking industry. Estimates based on reports that are readily accessible to the public indicate that Malaysia's budgetary efforts to address COVID-19 (as a proportion of GDP) are really the second-lowest in the ASEAN region, trailing only Vietnam.

Yet, due to the unprecedented nature of the COVID-19 crisis and the large distributional impacts, policy action can go even further to alleviating some of these pressures in the immediate-term as well as increasing economic growth and productivity for the longer term [3].

The first is to significantly strengthen and extend social safety net programs like Malaysia's Income-Targeted Cash Transfer Program (BSH) and Employment Insurance Scheme (EIS) Unemployment Insurance Program. Vulnerable groups may be better able to withstand the unprecedented shocks caused by the COVID-19 crisis by temporarily reducing eligibility requirements and expanding the programs that workers and households are eligible for under social assistance programs. Consolidating disparate social assistance programs into fewer sizable programs run by a single ministry or agency will improve administrative effectiveness, lower targeting expenses, and simplify the application and receipt of social assistance for beneficiaries.

Second, boosting government expenditure even more will considerably assist marginalized and vulnerable worker groups. This will tighten labor markets and increase overall demand. Even while there are now several stimulus plans in place, there is still potential for fiscal expansion—especially if the economy continues to

deteriorate in the months to come. In this case, increased infrastructure spending can be the emphasis of government spending. According to research, increasing infrastructure expenditure can boost long-term productivity and economic growth, particularly if it is done during a recession and is supported by increased government deficits [5].

Thirdly, improving fiscal space by relaxing fiscal rules and improving government revenue sustainability. The government will eventually have to deal with fiscal rules that restrict its ability to spend due to the necessary rise in spending and growth of various stimulus packages. The most pressing issue would be changing the budgetary regulations that prohibit borrowing to cover operating expenses. To temporarily permit the use of debt to cover the rise in operational expenses due to the COVID-19 economic response packages, a parliamentary act would be required. Additionally, Malaysia's government has to diversify its sources of income by raising the amount of consumer taxes collected, expanding the tax base, and boosting tax compliance.

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