

COVID-19
AND INEQUALITY
IN MALAYSIA

10 NOVEMBER 2022



1 INTRODUCTION

COVID-19 AND INEQUALITY IN MALAYSIA

Malaysia has done relatively well in its inclusive growth agenda (i.e., to reduce poverty and inequality) until the COVID-19 pandemic hits and posed serious challenges in its economic progress.

Pre-pandemic



Absolute poverty
49% (2017) to
0.5% (2016)



Gini coefficient:
0.513 (1970) to
0.407 (2019)



**Child and maternal
mortality rate on
par with developed
countries**



- Primary enrolment rate: Almost universal
- Secondary enrolment rate: 90%



**Access to water,
electricity and
sanitation facilities:
95% of the population**

COVID-19 Effects



**The worst economic
contraction in 20
years**



**Highest
unemployment rate
since 1933**



**1 in 5 M40
households moved
to B40 income
bracket**



**2/3 who lost their jobs
were primary or
secondary educated**



**Poverty and
inequality worsened
for the first time in
20 years**



2 THE COVID-19 PANDEMIC AND CONTAINMENT MEASURES IN MALAYSIA

COVID-19 AND INEQUALITY IN MALAYSIA

To curb the spread of the virus, Malaysia imposed the Movement Control Order (MCO) on 18 March 2020, prohibiting many economic activities. By May 2022, almost all restrictions have been lifted. Malaysia's national immunisation programme has successfully vaccinated at least 98% adults as of end-July 2022.

Activities prohibited under the MCO



Only essential services were allowed (e.g., supermarket)



No interstate-district travel



No mass gatherings

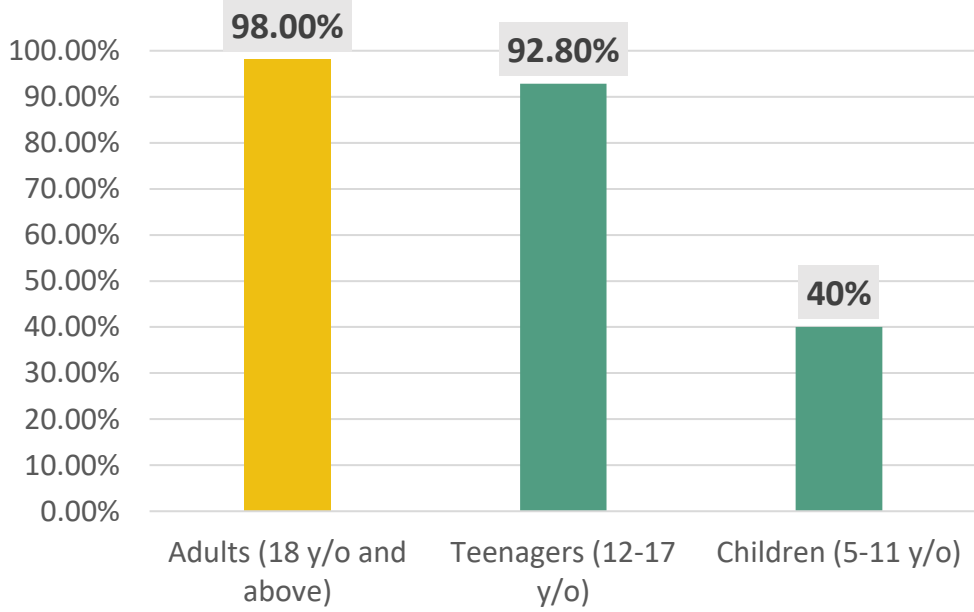


School closures



Border closures

Figure 1: Fully vaccinated Malaysians, end-July 2022 (%)



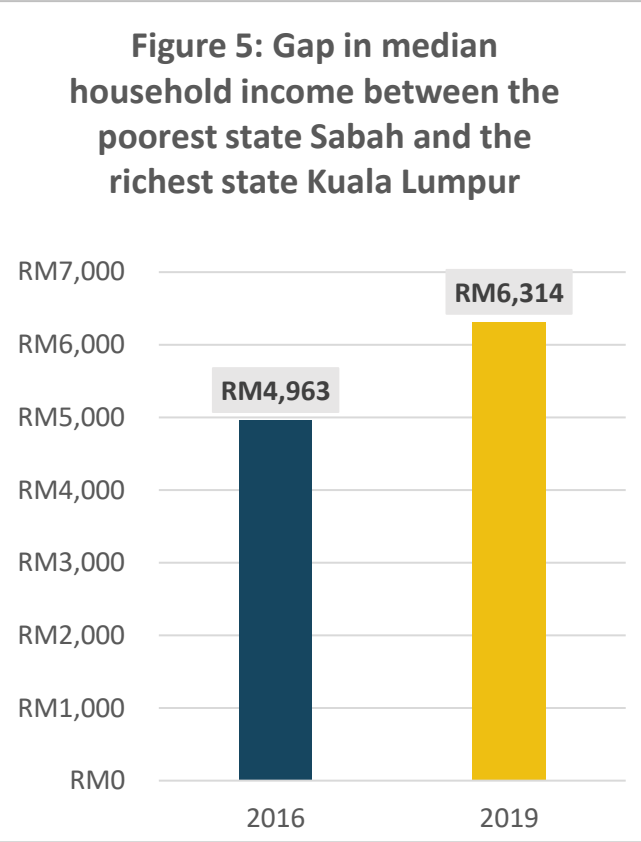
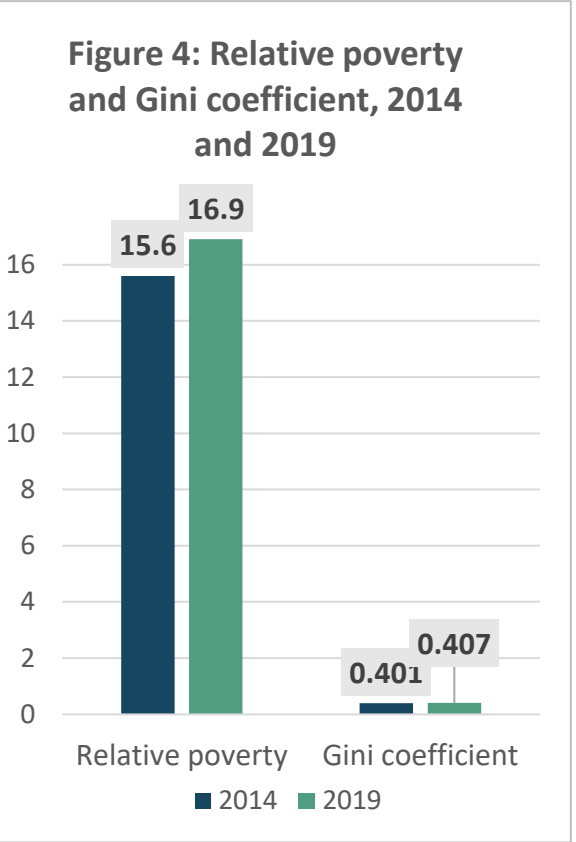
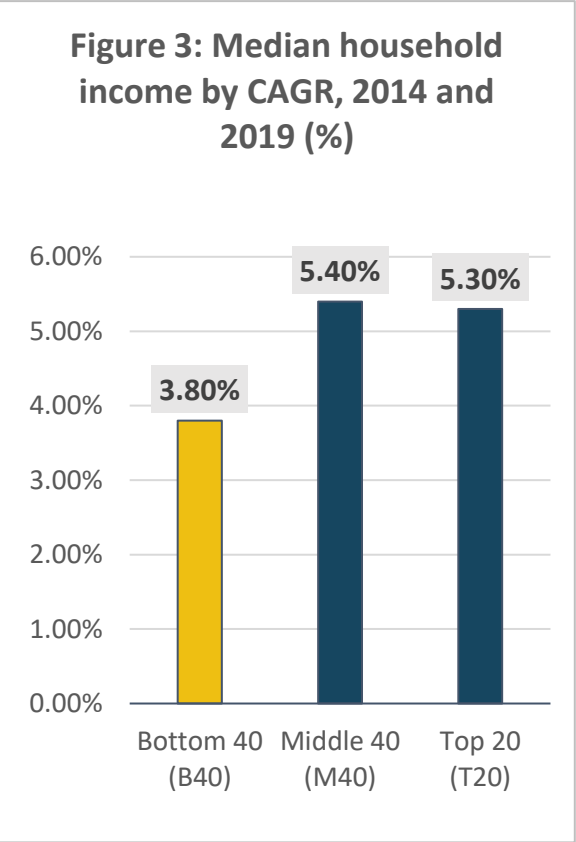
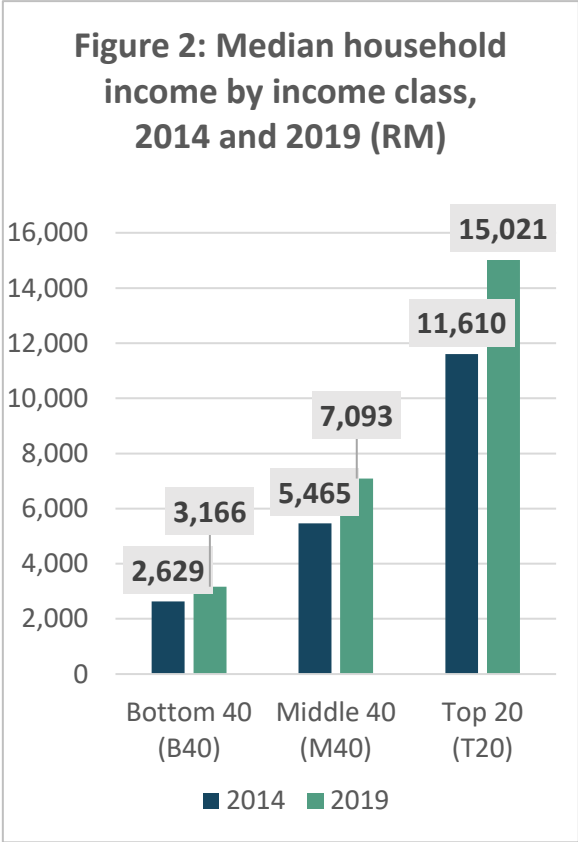
Source: BERNAMA 2020. COVID-19 and Chronology in Malaysia. MOH, 2022. COVID-19 & Vaccination Updates. MOH, 2022. COVID-19 Deaths in Malaysia. PMO, n.d. Kenyataan Media MKN 18 Mac 2020. Tee, Kenneth, 2021. Law minister confirms Emergency ended in Aug, but says ordinances still apply until Feb 2022. MOH, 2021. Pelan Pemulihan Negara. Salim, Syafiqah, 2022. Malaysia to transition to endemic phase of COVID-19 on April 1, says PM. Reuters, 2022. Malaysia to reopen borders from April with quarantine waiver. MOH, 2020. Program Imunisasi COVID-19 Kebangsaan. MOH, 2022. Vaccinations in Malaysia



3 IMPACT TO THE ECONOMY

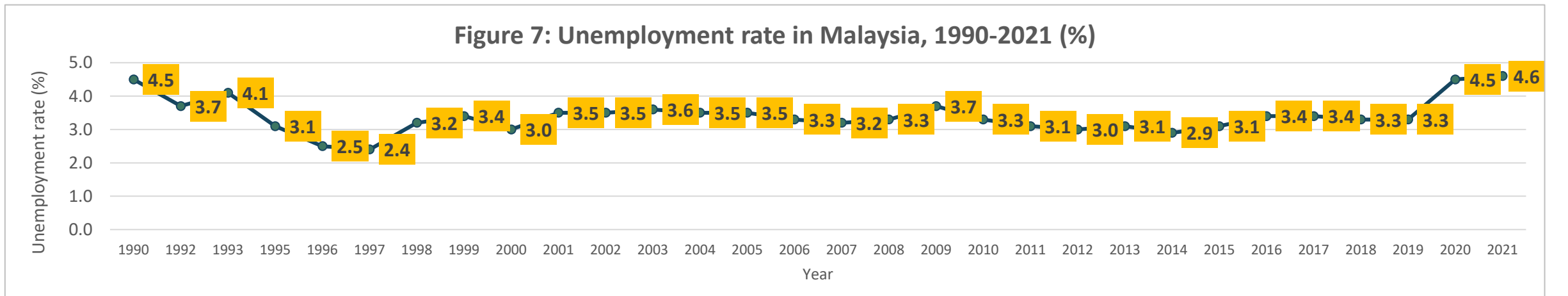
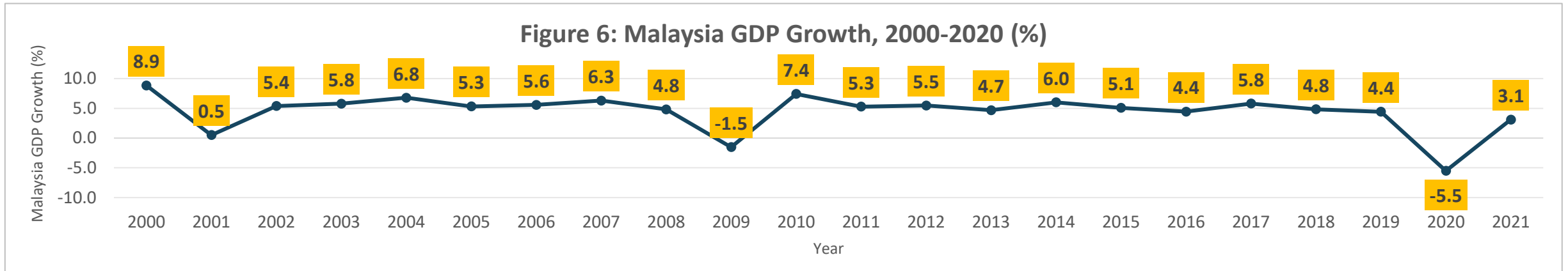
COVID-19 AND INEQUALITY IN MALAYSIA

Before the pandemic, income growth was higher among the Top 20% (T20) and Middle 40% (M40) compared to the Bottom 40% (B40). Relative poverty and income inequality increased during the same period. The income gap between richer and poor states have widened.



Source: DOSM, 2020. Household Income and Basic Amenities Survey 2019.

Due to COVID-19, Malaysia's GDP shrunk, and unemployment rates skyrocketed to 4.5%. The economy has yet to recover to pre-crisis level.



Source: DOSM, 2022. Malaysia Economic Statistics – Time Series: National Account. DOSM, 2022. Principal Statistics of Labour Force

Median monthly household income decreased in 2020 because of job losses and underemployment. Poorer states (e.g., Kelantan, Terengganu and Sabah) were disproportionately affected. Wages also decreased significantly.

Figure 8: Median monthly household income in Malaysia, 1970-2020 (RM)

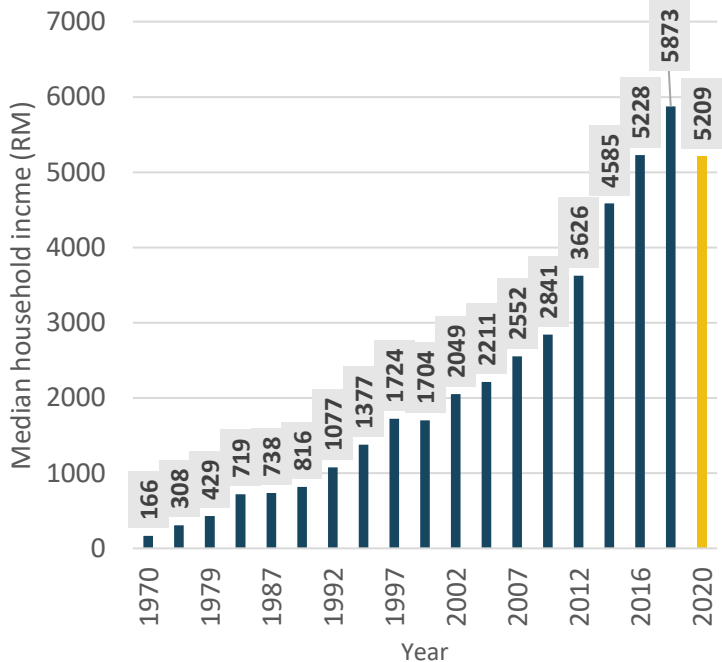


Figure 9: Median monthly household gross income by state, growth rate (%) between 2019 and 2020

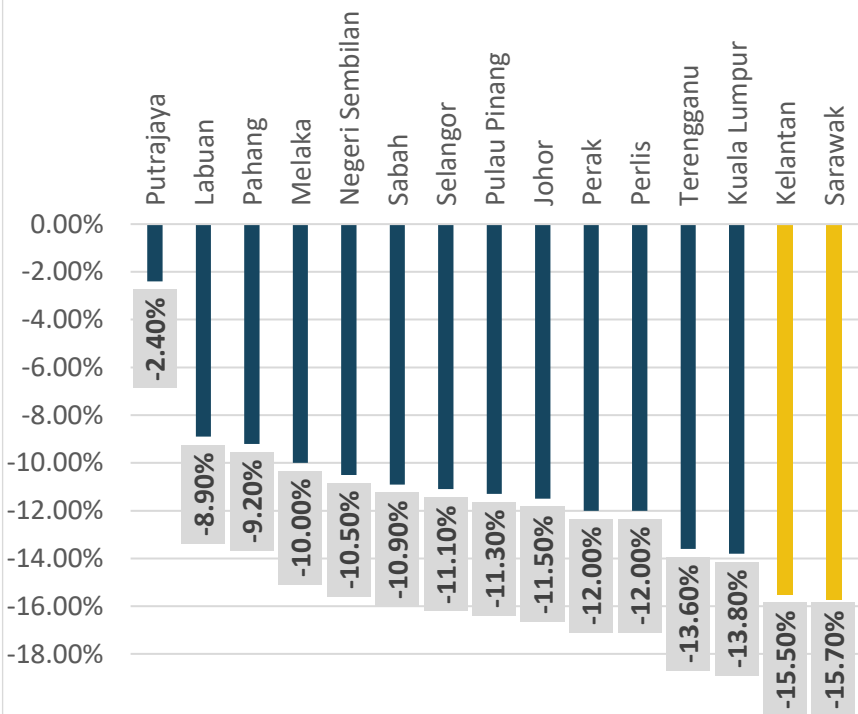
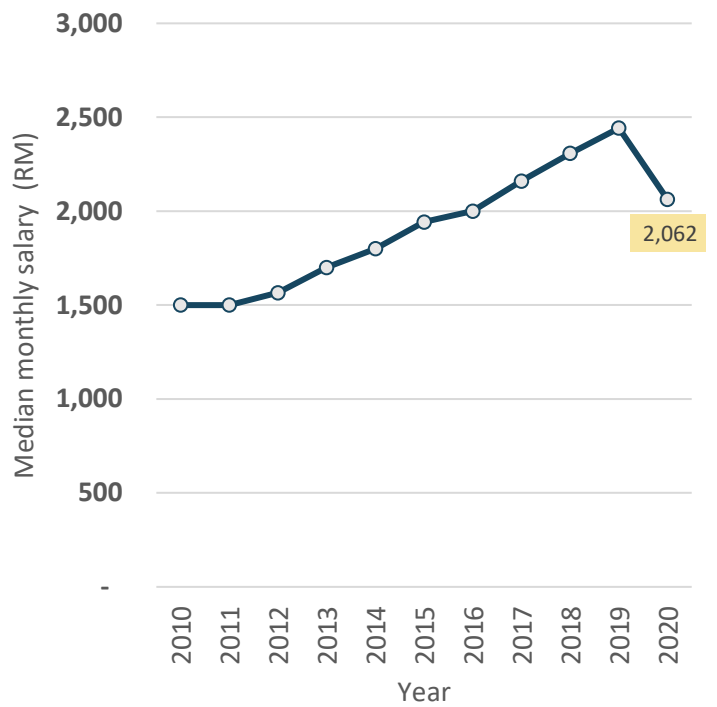


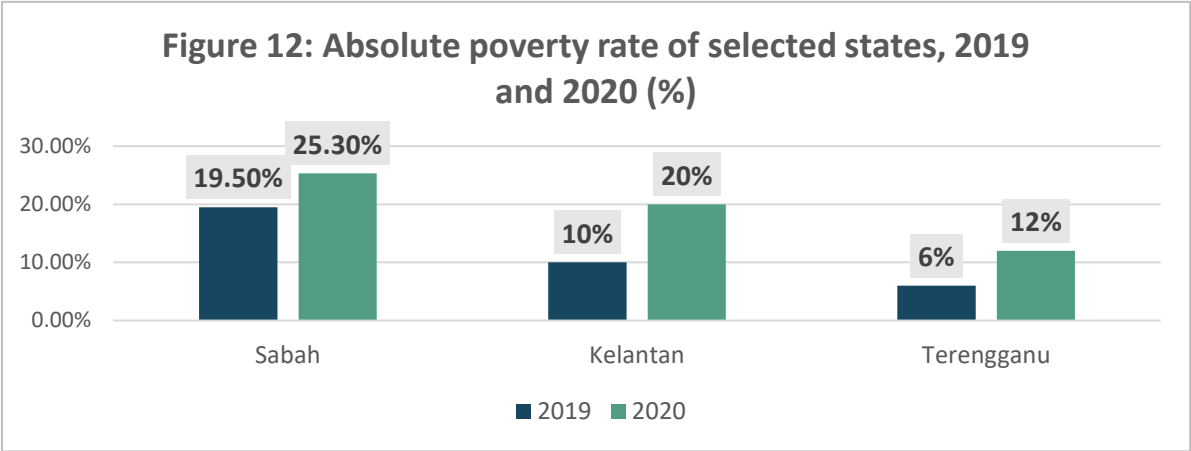
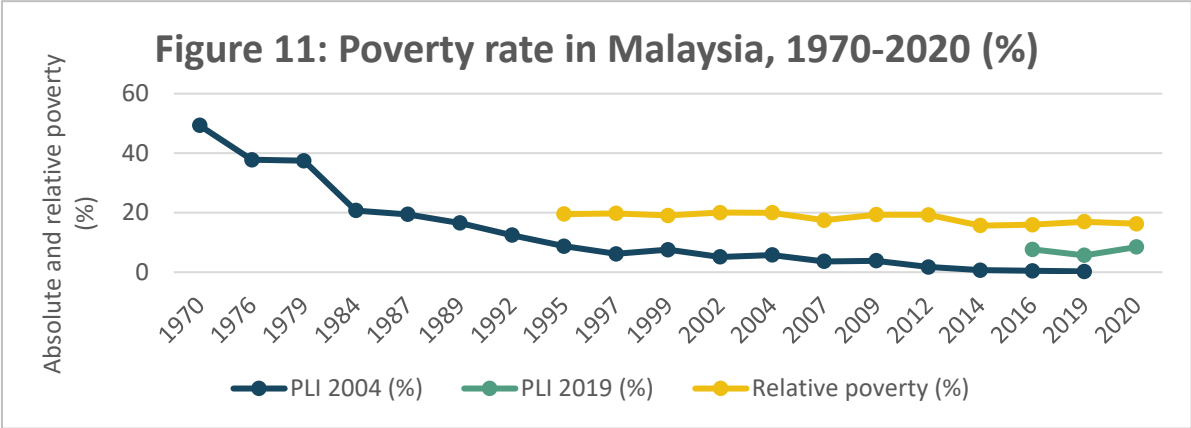
Figure 10: Median monthly salary, 2010 and 2020 (RM)



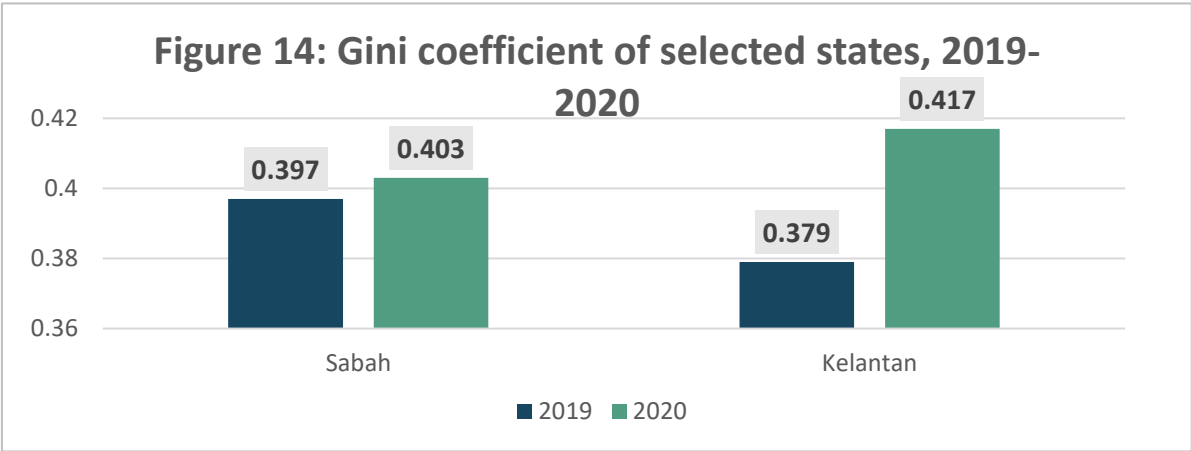
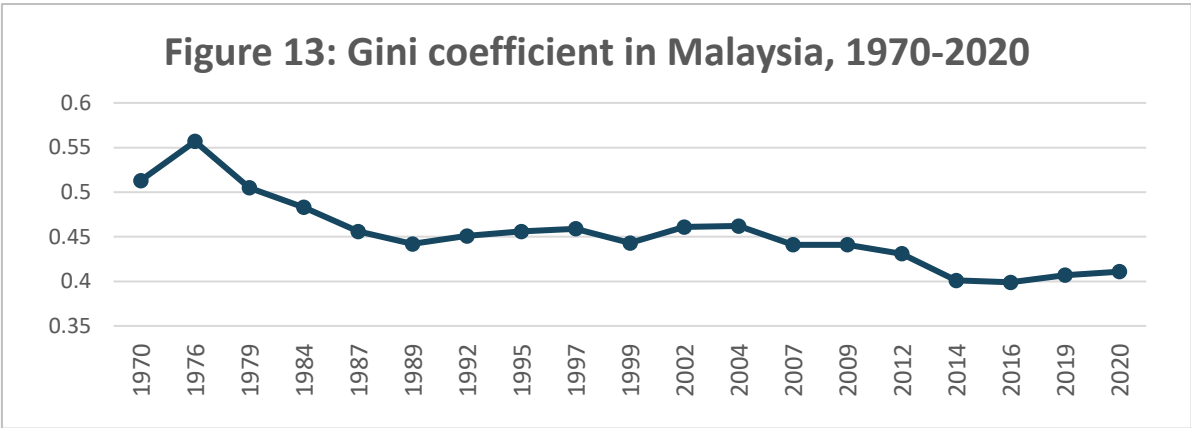
Source: DOSM, 2020. Principal Statistics of the Labour Force, Malaysia States 1982-2020. DOSM, 2022. Labour Force. DOSM, 2021. Salaries and Wages Survey Report 2020.

For the first time in 20 years, absolute poverty and income inequality increased. The worst affected were the poorer states.

Poverty rate

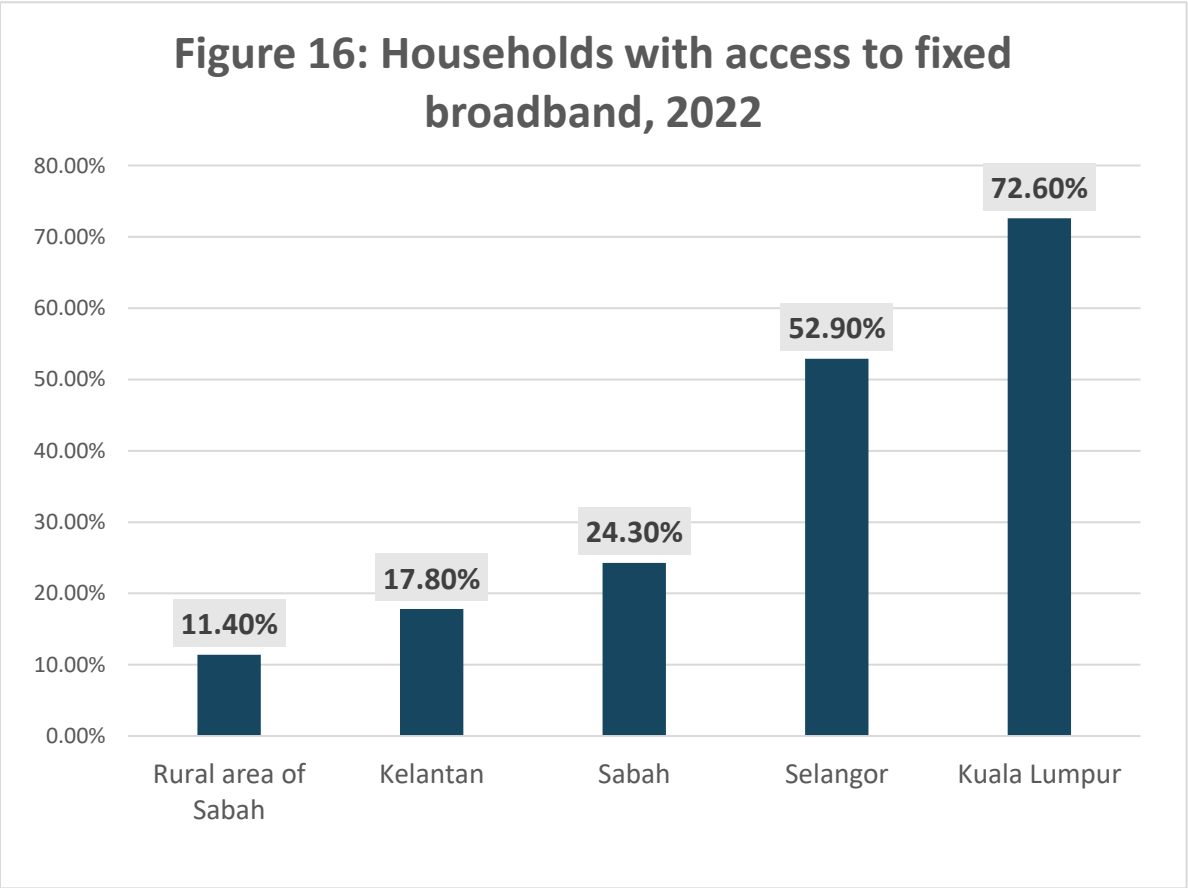
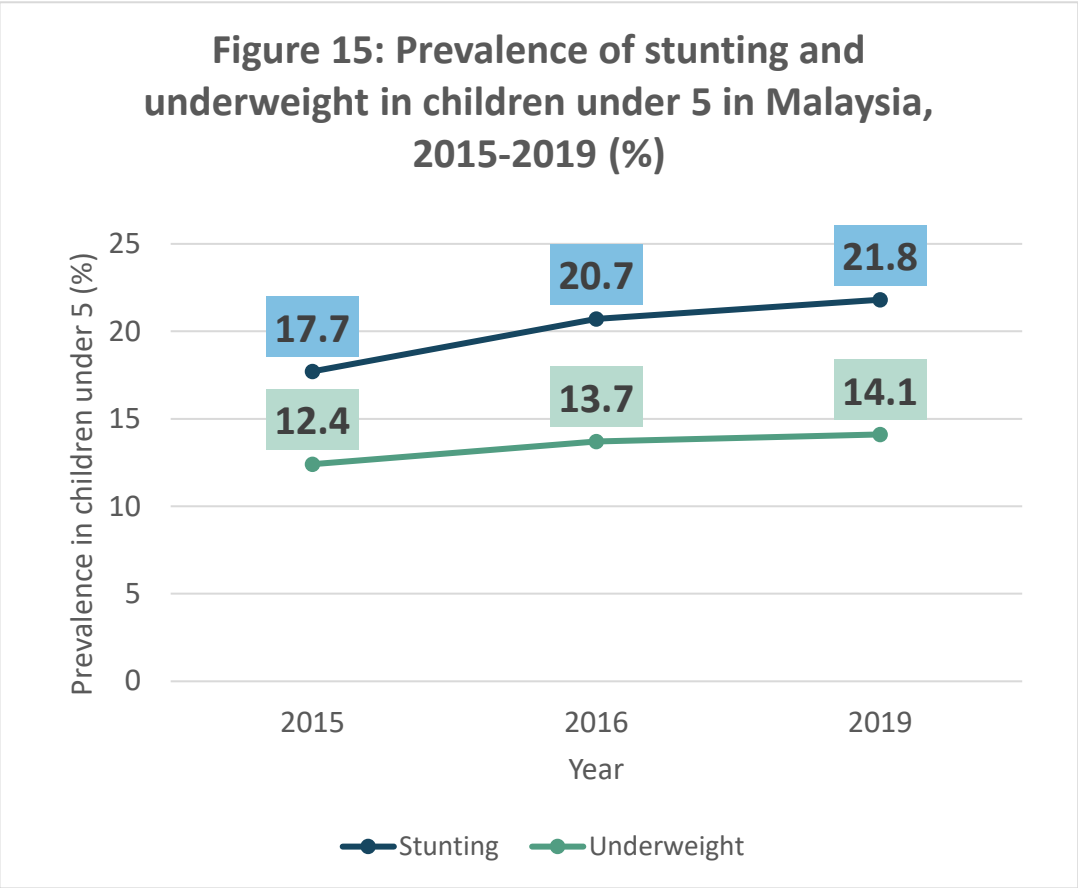


Gini coefficient



Source: DOSM, 2020. Principal Statistics of the Labour Force, Malaysia States 1982-2020. DOSM, 2022. Labour Force. DOSM, 2021. Salaries and Wages Survey Report 2020. DOSM, 2021. Household Income Estimates and Incidence of Poverty 2020.

The pandemic has also affected non-income dimensions. Mental health issues has increased among Malaysians. Malaysian children were already malnourished pre-pandemic and would have worsened during the crisis. Households with access to internet differ between state, which would affect children online learning and thus their quality of education.



Source: UNICEF, 2021. Families on the Edge (Issue 4). Institute for Public Health (IPH), 2015; 2016. Vol. II: Non-Communicable Diseases, Risk Factors & Other Health Problems; 2015; Institute for Public Health (IPH) 2016. National Health and Morbidity Survey 2016 (NHMS 2016): Maternal and Child Health. Vol. II: Maternal and Child Health Findings, 2016. 120pp; Institute for Public Health (IPH), National Institutes of Health, Ministry of Health Malaysia. 2020. National Health and Morbidity Survey (NHMS) 2019: Vol. I: NCDs – Non-Communicable Diseases: Risk Factors and other Health Problems. Focus Malaysia, 2020. 52% of students in Sabah have no internet access, gadgets for online learning. Available [here](#). DOSM, 2022. ICT Use and Access by Individuals and Households Survey Report.



4 POLICY RESPONSES TO COVID-19 IN MALAYSIA

COVID-19 AND INEQUALITY IN MALAYSIA

The government introduced different economic stimulus packages totaling RM530 billion to alleviate the reduction of household incomes, but it was inadequate to fully ease the pandemic's effects. Malaysia's direct fiscal intervention (RM83 billion) was also relatively small as compared to other countries.

Figure 17: Estimates of direct fiscal-related measures in Malaysia between March 2020 and June 2021

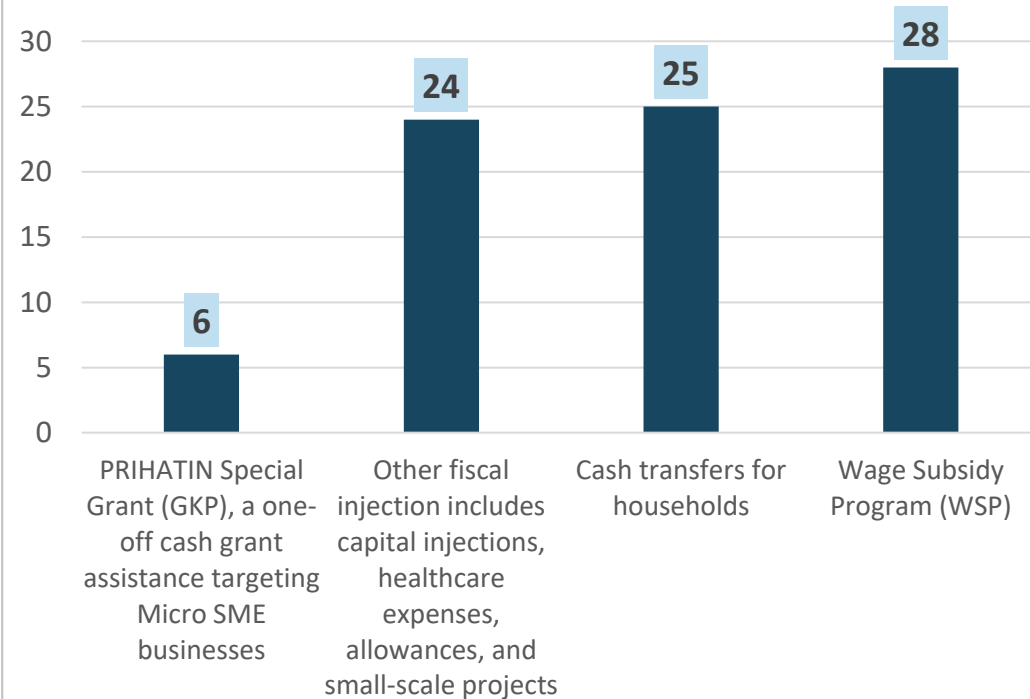
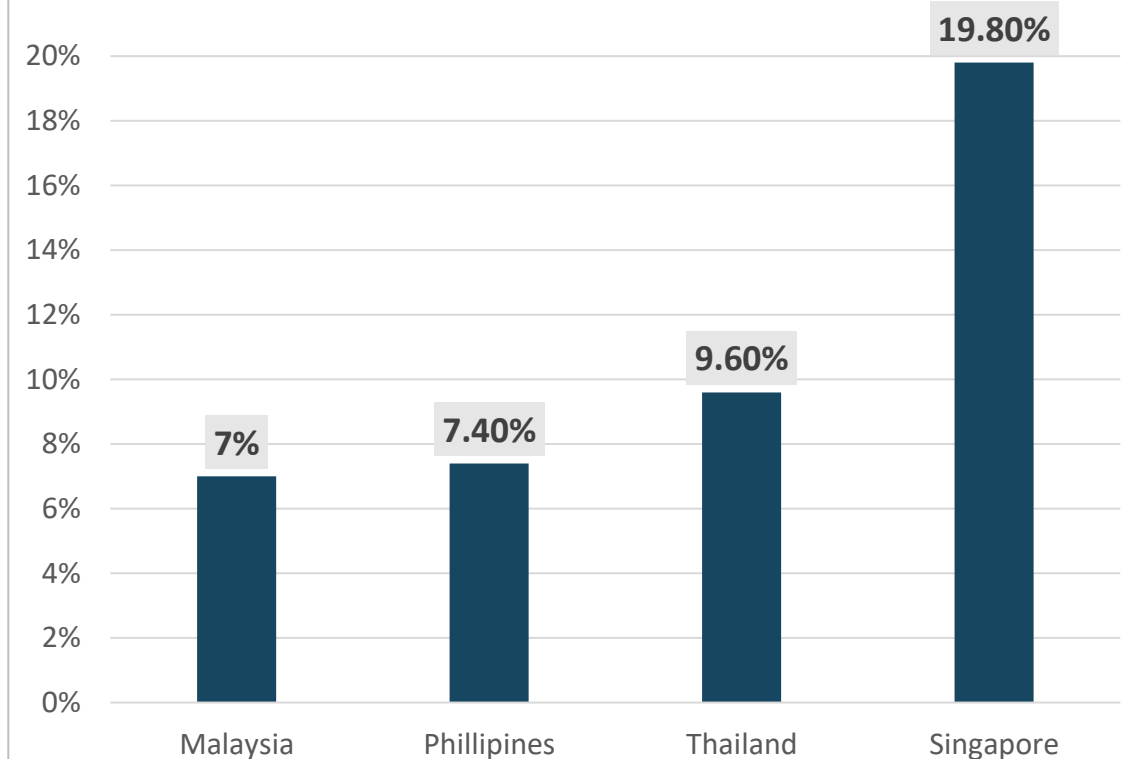


Figure 18: Share of fiscal injections to GDP, 2021 (%)



Source: World Bank, 2021. Malaysia Economic Monitor: December 2021. MOF, 2022. LAKSANA 86. World Bank, 2021. Malaysia Economic Monitor: December 2021. The i-Sinar, i-Lestari, and i-Citra were withdrawal programmes under EPF which allowed EPF members to withdraw part of their retirement savings in order to cope with any financial difficulties as a result of COVID-19. The PPR programme, under the Ministry of Housing and Local Government, is a housing project meant for households with an income below RM3,000 per month. Source: MHLG, 2022. Program Perumahan Rakyat Dimiliki (PPR Dimiliki). World Bank, 2021. Malaysia Economic Monitor: December 2021. Cheng, C. 2021. Fiscal size matters (Pt. 2): Permerkasa Plus and Malaysia's economic stimulus packages



5. WAY FORWARD

COVID-19 AND INEQUALITY IN MALAYSIA

Way forward: What can be done?

1. Inclusive development: Jobs

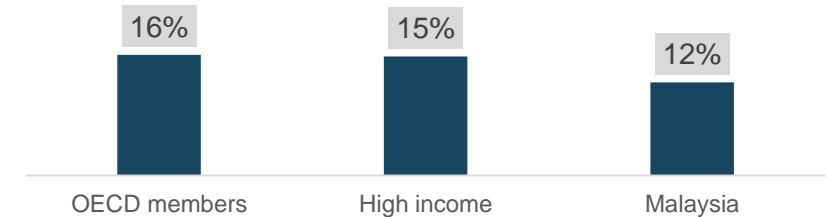


- Sufficient quality job creation and higher access to these opportunities.
- Re-examine education outcomes.
- Upskilling and reskilling existing workforce.



2. More progressive and fairer taxation

- Figure X: Share of tax revenue to GDP, 2019 (%)

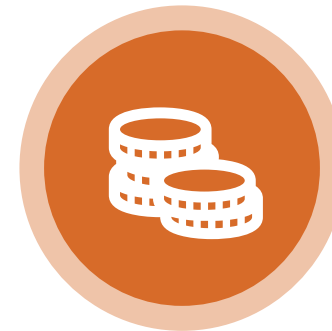


- Income from capital gains, inheritance and dividends must be taxed.

3. Female workforce participation



- One of the lowest in the region and upper-middle income countries.
- Provision of childcare and elderly care, flexible working hours will promote female workforce participation.



4. Social assistances and protection programmes

- Must include self-employed and informal workers.
- Increasing social expenditures will help alleviate poverty and inequality.



THANK YOU

COVID-19 AND INEQUALITY IN MALAYSIA