Understanding The Impact of Covid-19 Outbreak in Malaysia

Mohd Zaki Awang Chek, Tan Peck Leong, Muhammad Hazrani Abdul Halim, Isma Liana Ismail

Full Terms & Conditions of access and use can be found at
http://hrmars.com/index.php/pages/detail/publication-ethics

Understanding The Impact of Covid-19 Outbreak in Malaysia

Mohd Zaki Awang Chek
UiTM Perak Branch, Malaysia.

Tan Peck Leong, Muhammad Hazrani Abdul Halim
UiTM, Malaysia.

Isma Liana Ismail
UiTM Perak Branch, Malaysia.

Abstract
The study aimed to provide an overview and understand the socio-economic impact of the coronavirus (COVID-19) pandemic on Malaysia. The COVID-19 outbreak has exerted local and global implications and received high responses at both levels. National governments, as the major players, are responsible for devising strategies and measures to lessen the negative impact of COVID-19 on their citizens. The Malaysian government has implemented various initiatives to control the spread of the virus and reduce the risk of infection since the COVID-19 outbreak began in 2020 until today. The implementation of the Movement Control Order (MCO) by the government to control movement within and across district and state borders has been accepted and adopted as a new norm in controlling the spread of infection, especially involving vulnerable groups. Nevertheless, the movement restrictions also inhibited various economic sector activities, which are the lifeblood of society. Furthermore, most people affected are senior citizens from vulnerable and high-risk groups. They were impacted by declining income due to two primary factors, namely reduced income and unable to go out to work or business. The challenges of the COVID-19 pandemic include implementing initiatives to increase income, obtain food sources, and help improve children's learning process during challenging situations. Moreover, the Malaysian government's efforts to lessen the adverse effects of the pandemic produced minimal impact due to the government's unpreparedness and administrative tolerance. Thus, the Malaysian government is recommended to scale up preparation levels to face emergencies and ramp up investment in the health sector for better performance.
Keywords: Covid-19, Economic, Impact, Malaysia, Social.

Introduction
Economic production helps economic growth rise exponentially. Gross Domestic Product (GDP) is important to analyse a country's economic growth because it is one of the most important economic indicators. The GDP summarises the economic activities and

the most appropriate approximation of economic performance. Many factors might influence the rate of GDP in a country, such as money supply, consumer price index, import and export of goods and services, stock prices, investment rate, exchange rate, employment rate, unemployment rate, and inflation rate (Maliszewska et al., 2020).

Evidence indicates that the current COVID-19 pandemic might cause GDP to drop in most nations, including Malaysia. The Malaysian economy decreased by 17.1% in the second quarter of 2020 due to the ongoing COVID-19 pandemic that triggered Malaysia's economic performance downfall. Thus, this study was conducted to understand the impacts of COVID-19 in Malaysia (Azreen et al., 2017).

Overview of Global Economy

The global economy has improved significantly. These changes are embedded in how the world economy has been structured and regulated in the past few decades. These transitions influence the movement of goods and services through national boundaries, and the mechanisms affect how governments step up or down in the global system (Hussin & Wuan, 2013).

Some analysts have interpreted the modern global economy as transforming into a "modern economy" or "digital revolution." Nonetheless, policies, laws, and practices proven successful in the 20th-century industrial economic system must be rewritten in the present interconnected world, where resources such as "know-how" are more crucial than financial resources (Jamir, 2020).

Over the past several years, the political crisis, low petroleum and resource export prices, and the slow-moving economy have deeply affected Malaysia's economy, putting pressure on Malaysia's finances. According to the International Monetary Fund (IMF), Malaysia has the highest debt ratio, which is 56.3% of GDP, with consumption rising faster than the GDP (Azer et al., 2016).

Economic Sector

Few researchers have found that by analyzing the contribution of industries to economic development, service sectors are the greatest contributors to Malaysia's economy. The services sector is a tertiary sector of the economy industry which offers services but does not produce raw resources or manufactured products (Hussin & Wuan, 2013). The service sector is responsible for about two-thirds of world trade in services as it is the world's fastest-growing industry (Wing et al. 2007 as cited in Azer et al., 2016). Service sectors, including import duties and any analytical anomalies found by international editors and arising from adjusting.

The transportation, government, banking, professional education, healthcare, property management, wholesale trade, including restaurants and resorts, are services subsectors. An announcement made in the Economic Transformational Plan by seven National Key Economic Areas (NKEA) stated that the services sectors are financial institutions, wholesale trade, tourism, businesses, telecommunication material, infrastructural facilities, education and healthcare (Azer et al., 2016; Azreen et al., 2017; Hussin & Wuan, 2013; Jamir, 2020).

Based on the International Monetary Fund (IMF) in 2015, Malaysia controlled 55% of GDP for the services sector as a highly middle-income country with a competitive economy., 25% for the manufacturing sector with 8% of the mining sector and 7% for agriculture

following in the distance (Azreen et al., 2017). As industrial products consist of higher-income demand elasticity, manufacturing is recognized as an engine of economic development (Azer et al., 2016; Azreen et al., 2017).

The manufacturing also can be classified as the production of products that use machines, equipment, and workforce. Handicraft technology gadgets differ from manufacturing practices. However, the term applies to the industrial manufacturing system by which commodities are refined into finished products and are available to be sold. The findings using multiple linear regression showed that the production and service sector coefficient is significantly relevant at 95% confidence level where the p-values are smaller than 0.05. This shows that both sectors are closely linked to GDP and positive companionship due to positive coefficients' values (Azer et al., 2016).

The agriculture sector is categorized as one of the primary sectors and very important to human beings because the sector provides people living with regular meals (Hussin & Wuan, 2013). The agriculture sector can be separated into two distinct groups which are industrial resources and food subsectors (Azer et al., 2016). Industrial resources are responsible for maintaining the quality product of tobacco, palm oil, leather, cocoa, wood and timber under the laws of the Ministry of Primary Industries (MPI). The Ministry of Agriculture and Agro- Based Industry (MOA) would oversee the development of crops, livestock, and fisheries.

The correlation and multiple regression study showed the agricultural sector has shown a negative relationship with Malaysia's economic development. The same result also showed that the agricultural sector appears to be insignificant to Malaysia's GDP, whereas the service sector plays a dominant position and is labelled the primary contributor to Malaysia's economic performance (Azer et al., 2016; Hussin & Wuan, 2013).

Pandemic Outbreak

Few researchers have found that service sectors are the most significant contributors to Malaysia's economy by analysing industries' contributions to economic development. The service sector is a tertiary sector in the economy which offers services but does not produce raw resources or manufactured products. The service sector is responsible for about two-thirds of world trade as it is the world's fastest-growing industry. Service sectors, including import duties and any analytical anomalies found by international editors and arising from adjusting.

The transportation, government, banking, professional education, healthcare, property management, wholesale trade, restaurants, and resorts are service subsectors. An announcement made in the Economic Transformational Plan under the seven National Key Economic Areas (NKEA) stated that the services sectors comprise financial institutions, wholesale trade, tourism, businesses, telecommunication material, infrastructural facilities, education, and healthcare (Chetty, 2006; Hashim & Muhammad, 2013; Haslifah, 2015; Hussin & Wuan, 2013).

According to the IMF, in 2015, the services sector contributed 55% to Malaysia's GDP as a high middle-income country with a competitive economy. Additionally, the manufacturing sector contributed 25%, followed by the mining sector (8%) and agriculture (7%). As industrial products have higher-income demand elasticity, manufacturing is recognised as an economic development engine.

The manufacturing can be classified as producing products that utilise machines, equipment, and workforce. Handicraft technology gadgets differ from manufacturing practices (Azer et al., 2016). Nevertheless, the term applies to the industrial manufacturing system by which commodities are refined into finished products and are available for sale. The showed that coefficient of the production and service sector is significantly relevant at a 95% confidence level where the p-values are smaller than 0.05. The findings showed that both sectors are closely linked to GDP and positive companionship due to positive coefficient values (Azer et al., 2016; Breyer, 2014; Kya, 2015).

The agriculture sector is categorised as one of the primary sectors and vital to human beings because the sector provides people with food supplies. The agriculture sector can be separated into two distinct groups: industrial resources and food subsectors. Industrial resources are responsible for maintaining the quality product of tobacco, palm oil, leather, cocoa, wood, and timber under the Ministry of Primary Industries (MPI) laws. The Ministry of Agriculture and Agro-Based Industry (MOA) oversees the development of crops, livestock, and fisheries.

According to a correlation and multiple regression study, the agricultural sector negatively affects Malaysia's economic development (Azer et al., 2016; Breyer, 2014; Chee, 1997; Ibrahim et al., 2012; Taib et al., 2012). The agricultural sector appears to be insignificant to Malaysia's GDP. In contrast, the service sector plays a dominant position and is labelled the primary contributor to Malaysia's economic performance (Azer et al., 2016). The chronology of MCO can be seen easier understand through this timeline in Figure 1 below:
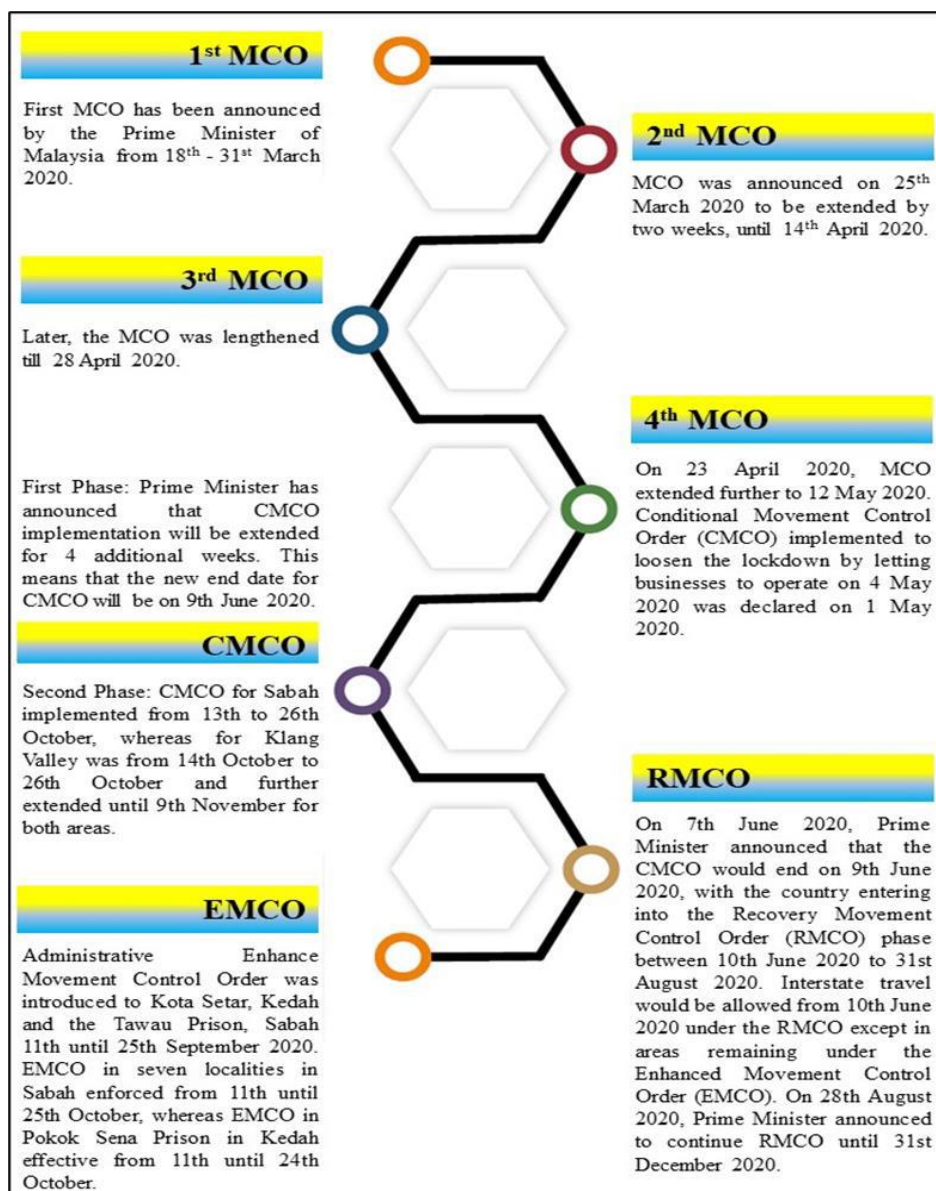
1st MCO

First MCO has been announced by the Prime Minister of Malaysia from 18th - 31st March 2020.

2nd MCO

MCO was announced on 25th March 2020 to be extended by two weeks, until 14th April 2020.

3rd MCO

Later, the MCO was lengthened till 28 April 2020.

4th MCO

On 23 April 2020, MCO extended further to 12 May 2020. Conditional Movement Control Order (CMCO) implemented to loosen the lockdown by letting businesses to operate on 4 May 2020 was declared on 1 May 2020.

First Phase: Prime Minister has announced that CMCO implementation will be extended for 4 additional weeks. This means that the new end date for CMCO will be on 9th June 2020.

CMCO

Second Phase: CMCO for Sabah implemented from 13th to 26th October, whereas for Klang Valley was from 14th October to 26th October and further extended until 9th November for both areas.

RMCO

On 7th June 2020, Prime Minister announced that the CMCO would end on 9th June 2020, with the country entering into the Recovery Movement Control Order (RMCO) phase between 10th June 2020 to 31st August 2020. Interstate travel would be allowed from 10th June 2020 under the RMCO except in areas remaining under the Enhanced Movement Control Order (EMCO). On 28th August 2020, Prime Minister announced to continue RMCO until 31st December 2020.

EMCO

Administrative Enhance Movement Control Order was introduced to Kota Setar, Kedah and the Tawau Prison, Sabah 11th until 25th September 2020. EMCO in seven localities in Sabah enforced from 11th until 25th October, whereas EMCO in Pokok Sena Prison in Kedah effective from 11th until 24th October.

Figure 1 Chronology of Movement Control Order (MCO) Diagram
Source: Department of Statistic Malaysia

Conclusion and Recommendation

Studying a country's economy is immensely beneficial to many parties. This study provides insight into indicators that contributes to Malaysia's GDP. A country's GDP is influenced by a range of different variables, including its expenditure and investment. Hence, the government will be able to recognise indicators with the highest and least impact on economic growth through the study's findings. Besides, the status of the nation's healthcare system can also be tracked (Engkasan et al., 2018).

Investors' views on economic development and profitability depend on indicators of economic conditions. A change in economic conditions will cause investors to be concerned about the future. Investors pay attention to GDP because a significant percentage shift in GDP can impact the stock market positively or negatively. A poor economy implies lower profits and lower stock prices. When investors expect better returns, they will invest more. For example, an investor will look at the investment and

stock price economic environment, determine whether the momentum is improving or slowing down, and change its market plan accordingly (Lee, 2004).

Similarly, corporations track global trends and obtain insight into the growth and sustainability of their own revenues. Business and spending are boosted by economic growth. The actions of a government during the pandemic determine a country's economy. This study provides a better understanding for the government on sectors to be improved and sectors with high profitability to the country. Thus, the government can monitor how the economy behaves and take action to restore economic performance after the pandemic ends (Barucci & Marazzina, 2012; Chek et al., 2019; Haberman, 1994).

Acknowledgement

Corresponding Author
Mohd Zaki Awang Chek.
Universiti Teknologi MARA, Malaysia.
Email: mohdz220@uitm.edu.my

References
Azer, I., Hamzah, H. C., & Mohamad, S. A. (2016). Contribution of Economic Sectors to Malaysian GDP. *Regional Conference on Science, Technology and Social Sciences (RCSTSS 2014)*, 183–189. https://doi.org/10.1007/978-981-10-1458-1

Azreen, N., Razak, A., Khamis, A., Asrul, M., & Abdullah, A. (2017). ARIMA and VAR Modeling to Forecast Malaysian Economic Growth. *Journal of Science and Technology*, *9*(3), 16–24.

Barucci, E., & Marazzina, D. (2012). Optimal investment, stochastic labor income and retirement. *Applied Mathematics and Computation*, *218*(9), 5588–5604. https://doi.org/10.1016/j.amc.2011.11.052

Breyer, F. (2014). Encyclopedia of Health Economics. In *Encyclopedia of Health Economics*. Elsevier. https://doi.org/10.1016/B978-0-12-375678-7.00907-X

Chee, L. K. (1997). The Malaysian Government Pension Scheme : Whither its future direction ? *Jornal of Economics Malaysia*, *31*, 87–106.

Chek, M. Z. A., Ismail, I. L., & Jamal, N. F. (2019). Personal Financial Planning through Massive Open Online Course. *International Journal of Academic Research in Business and Social Sciences*, *9*(5), 618–622. https://doi.org/10.6007/IJARBSS/v9-i5/6004

Chetty, R. (2006). A general formula for the optimal level of social insurance. *Journal of Public Economics*, *90*(10–11), 1879–1901.

Engkasan, J. P., Stucki, G., Ali, S., Yusof, Y. M., Hussain, H., & Latif, L. A. (2018). Implementation of clinical quality management for rehabilitation in Malaysia. *Journal of Rehabilitation Medicine*. https://doi.org/10.2340/16501977-2283

Haberman, S. (1994). *Pension funding modelling and stochastic investment returns*. *March*. http://www.sias.org.uk/data/papers/stochastic1.pdf/DownloadPDF

Hashim, M., & Muhammad, N. M. N. (2013). *Personal financial planning* (1st ed.). UiTM Press.

Haslifah, M. H. (2015). A conceptual framework for the establishment of a government actuary's department in Malaysia. *Journal of Business and Social Development*, *3*(2), 17–

33.

Hussin, F., & Wuan, C. C. (2013). The Contribution of Economic Sectors to Economic Growth: The Cases of Malaysia and China. *International Journal of Academic Research in Economics and Management Sciences*, *2*(2), 1990–2000. www.hrmars.com/journals

Ibrahim, D., Isa, Z. M., & Ali, N. (2012). Malaysian savings behavior towards retirement planning. *International Conference on Economics Marketing and Management*, *28*, 102–105.

Jamir, I. (2020). Forecasting Potential Impact of COVID-19 Outbreak on India's GDP Using ARIMA Model. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.3613724

Kya, L. T. (2015). *Quantitative business analysis for UiTM* (3rd. ed.). Oxford Fajar.

Lee, H.-A. (2004). Development in Malaysia : Economics and Politics of an Idea. *Akademika*, *64*, 65–81.

Maliszewska, M., Mattoo, A., & Van Der Mensbrugghe, D. (2020). *The Potential Impact of COVID- 19 on GDP and Trade : A Preliminary Assessment.* (No. 9211).

Taib, J., Setapa, F., Mohammad, N., & Nathan, S. B. S. (2012). *Understanding economics: Theory and application* (3rd ed.). Mc Graw Hill Education (Asia).