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# Economic recovery and how to gauge it

This is the second instalment of a four-part series on the Sarawakku Sayang Special Assistance (BKSS). Previously, we have established that while RM5.3 billion is being injected into the economy under the BKSS, it will take some time for it to facilitate recovery.

# Developing a resilient and sustainable economic recovery plan

■ BY NAZMI SUHAIMI

**A**MID the economic doldrums due to Covid-19, the question now will be — how do we properly gauge the effectiveness of the financial stimulus package in arresting the dwindling economy?

Economist Prof Datuk Dr Madeline Berma said the seven packages — BKSS 1.0 to 7.0 — were emergency responses to the Covid-19 crisis.

“The government, through the BKSS, did what is appropriate to contain and mitigate the crisis by cushioning the immediate impact of the crisis on businesses and households and maintaining economic capacity in the short-term,” she told New Sarawak Tribune.

For the long term, she said the government must take further action to recover the economy by introducing broader and stronger measures as needed.

“These are structural economic changes away from labour-intensive export-oriented to innovation-intensive economy, tax reforms by reintroducing goods and services tax (GST) and improved labour markets to increase productivity,” she said.

Meanwhile, Universiti Malaysia Sarawak (Unimas)

economic lecturer Dr Nor Afiza Abu Bakar said while one of the yardsticks to measure economic growth was via the gross domestic product (GDP), in the context of economic recovery, it had its limitations and biasness.

“Although GDP is frequently utilised, it does not alone reflect the health of an economy. Economic recovery is a broad term that encompasses several different aspects, including the recovery of the labour market, production of a nation, the service sector and consumer spending.

“Due to the pandemic and accompanying economic repercussions, each economic sector has been affected differently, and it is difficult to determine whether or not a particular market or sector has recovered,” she said.

Nor Afiza said one of main aspects that one could use as an indicator in measuring the effectiveness of BKSS in aiding recovery was the unemployment rate.

Malaysia’s unemployment rate was about 4.5 percent in 2020, according to the Department of Statistics Malaysia (DOSM).

As for Sarawak, the unemployment rate in 2017, 2018 and 2019 were 3 percent, 3.2 percent and 3.1 percent, respectively, and in 2020, the unemployment rate was at 4.3 percent.

“Recovery in the labour market will primarily imply a return to normal levels of unemployment, which in the pre-pandemic years ranged between 3 percent and 3.7 percent. Unemployment levels that are not too high will also result in the restoration of most industries to their pre-economic downturn employment levels.

“In the event that this indicator shows signs of improvement, it will indicate a return to a tighter labour market, similar to the one that existed prior to Covid19 pandemic,” she said.

Another key aspect to gauge the effectiveness of the BKSS in aiding the recovery plan was when SMEs were able to safely reopen and continue operations, said the economic lecturer.

“This is referred to as business or production recovery. Despite the fact that certain SMEs producing products like masks, medical supplies, and other high-demand items have had their sales grow, many other businesses have seen their revenues decline and their production stall,” she said.

Nor Afiza, at the same time, pointed out several methods to indicate economic recovery which included a rebound in the service sector, consumer spending as well as the vaccination rate.

As of Aug 15, about 3.4



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million Covid-19 vaccine doses had been administered in Sarawak and of the total, 1.8 million doses had been administered to first dose recipients while another 1.6 million to second dose recipients.

In terms of vaccination rate compared to the entire state’s population, Sarawak has registered the second highest percentage of fully vaccinated individuals (58.7 percent) after Labuan (61.0 percent).

“Interestingly, the vaccination rate has the potential to be one of significant indicators to monitor for signs of economic recovery. The present condition of the economy and the outbreak of the pandemic are linked closely.

“Collective efforts have been done by the federal and state governments to achieve high rate of herd immunity via speeding up the vaccination rates across the country.

“When it comes to vaccination rates, Sarawak is among the best-performing states in Malaysia, with more than 60 percent of the population having received their first dose,” she said.

According to data compiled by the Covid-19 Vaccine Supply Assurance Special Committee (JKJAV), as of Aug 15, 89.1 percent of the adults in Sarawak received at least the first dose.

“A large portion of the economic implications of the pandemic had been caused by the measures adopted to limit the spread of the virus and safeguard the public health of the population. As a result,



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NOR Afiza

economies will not be able to return to full output levels until the general public’s pandemic fears have been alleviated,” she said.

Similarly, a rebound in the service sector would mean that businesses such as airlines, hotels, resorts, and spas would no longer need to lay off workers and would be able to function at normal capacity.

“The recovery of this sector will also suggest that tourism



**LOCAL** Government and Housing Minister Datuk Seri Dr Sim Kui Hian (second left) handing over the BKSS 6.0 (Hawker and Petty Trader) aid to a recipient at the Kenyalang market in Kuching. Photo: Mohd Alif Noni



**CHIEF** Minister Datuk Patinggi Abang Johari Tun Openg during his visit to Sibu Central Market last year. The traders there were among the beneficiaries of the BKSS.

will return to levels seen before the crisis, as people feel more comfortable travelling for work and leisure.

"Another measure that can be used to reflect the effectiveness of the BKSS in aiding recovery is through consumer spending. Consumer spending is essential in monitoring the recovery of an economy," she said.

In 2019, the composition of mean monthly household consumption expenditure for Sarawak was at RM3,448. Nor Afiza said when consumer purchasing patterns reverted to pre-economic downturn levels, they would indicate that the economy was recovering gradually.

At the same time, Unimas senior lecturer and researcher Assoc Prof Dr Evan Lau said the BKSS acted as the buffer to brave through the waves of the pandemic.

"As the aid reaches the targeted vulnerable groups and targets, this will be transformed into consumption which in turn ensures the circular flow of the economy.

"Imagine the economy like the Ferris wheel which comprises households and businesses. With the aid at hand for instance, households will be able to spend on goods and services offered by the businesses," he said.

He said, for businesses, the income and profit would enable them to develop and produce more for the households.

"This simple analogy highlights the importance of smooth flow of the wheel. Of course, managing and monitoring will ensure the

sustainable circular flow of the economy. This can be done at the macro and micro levels.

"For me, the V-shaped recovery is the favourable narrative. The recent Q2 2021 reported that Malaysian economy expanded by 16.1 percent against the negative 0.5 percent in Q1 2021.

"The main drivers were domestic demand and continued robust export performance. This in turn will enable the state to cruise through the pandemic wave along with the Post-Covid19 Development Strategy (PCDS) 2030," he said.

#### **Model for financial packages in other states**

About RM530 billion in stimulus measures had been introduced by the federal government since the Covid-19 outbreak in March last year to revive the economy.

Eight stimulus packages have been launched since the outbreak with the latest, in June 2021; the Malaysian government announced the latest package, *Pemulihan*, worth RM150 billion, to further alleviate the economic effects of the pandemic.

While some states have introduced their own assistance packages, they do not cover all walks of life. The package introduced by the Sarawak government is viewed as being all-encompassing and inclusive.

Over the past 17 months since the first BKSS was announced, multiple iterations of the assistance package followed suit, addressing its shortcomings and covering groups that were previously left

out.

Besides being comprehensive, it is also viewed as complementing the federal government's package as Sarawak flexed its financial might, doing its part to cushion the economic downturn blows.

Madeline was of the view that the BKSS could be a model to other states in pandemic times to benefit their people.

"The BKSS model of comprehensive assistance is a good model that can be adapted by other states, particularly those higher-income states as a way to complement the assistance provided by the federal government," she said.

Meanwhile, Nor Afiza said other states should take cues from Sarawak in supporting the federal government to cushion the economic fallout from the pandemic.

The stimulus packages in various states in Malaysia are personalised based on the economic scenario of each state which range from rental exemptions for housing, moratoriums on housing loan and hire purchase and discounts on utility bills.

"Each state in Malaysia has a different economic sector, population and geography. These stimulus packages or financial aids are vital as only the state governments understand the nature of their economic sectors.

"As for Sarawak, BKSS 1.0 to 7.0 allocated a total of RM5.3 billion in funding — which makes Sarawak among the highest state in Malaysia to receive such a large assistance fund from a state government.

"BKSS 1.0 to 7.0 is a

comprehensive financial aid that generally caters to all population and economic sectors. I believe that with the introduction of each of the BKSS from 1.0 to 7.0, the government is listening to what the people really need at all levels," she said.

Nor Afiza said despite the differences in the initiatives and measures in each of the BKSS, their primary goal was to alleviate the pain points of the society.

They tried to meet the needs of industries at all levels of social classes and all types of business entities apart from developing a resilient and sustainable economic recovery plan gradually.

Lau said the introduction of the BKSS at the micro level by the state government was the best practice in the current Covid-19 scenario.

"Nonetheless, the macro (national) level assistance is necessary while the micro (state) level measures provide extra support to ensure the livelihood of the *rakyat*. I believe other states have their own aid programmes and solutions to mitigate the pandemic," he said.

#### **Improvements needed for stimulus packages**

Several improvements and key considerations are needed in the future to aid the economic recovery as well to plan for life after the Covid-19 pandemic.

Madeline pointed out that it was crucial for the government to look at the tax policy and how it could help support the economy during the crisis.

"At the same time, financial stimulus is still needed to support domestic investment and consumption.

"This is along with investing heavily in the future to address the lost learning generation and creating decent jobs and income for the group," she said.

Amid the pandemic, there were many schoolchildren who suffered from lost learning as physical learning took a backseat due to the Covid-19 pandemic.

This was largely replaced by virtual learning. While safer, in Sarawak it is a privilege mostly enjoyed by those equipped with the necessary IT devices in urban areas, and not the disadvantaged children.

Meanwhile, Lau said there was a need for further fiscal injection once the on-going pandemic was eliminated.

"The pandemic is a good learning curve to prepare for a sustainable future while staying vigilant in a forward looking manner. We all have a responsible role to play in this regard.

"I expect more aid will be coming along the way until the uncertain route is clear. For that, extension period of the measures stated in BKSS is necessary beyond 2021. Micro-managed assistances at the district or village level should also be considered.

"This can be in the form of monetary allocation from the state or in the form of grant-based assistance. Micro, small and medium sized enterprises (MSMEs) upskilling and reskilling should be further supported," he said.