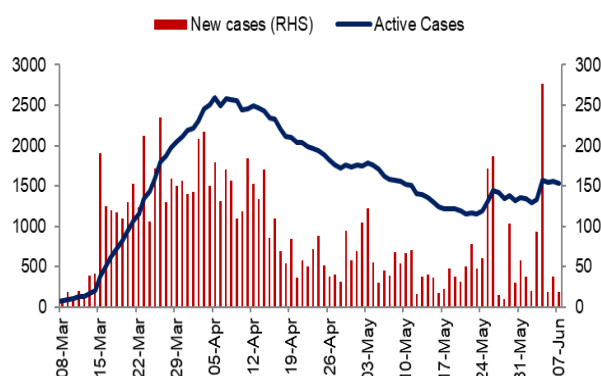


# COVID-19: Short-Term Economic Recovery Plan

RM35.0b fiscal boost to accelerate economic recovery

- **On 5 June, the government unveiled a Short-Term Economic Recovery Plan or Pelan Jana Semula Ekonomi (PENJANA) worth RM35.0b (2.4% of GDP), aimed to propel economic recovery**
  - In addition to the PRIHATIN economic stimulus package announced in March and April worth RM260.0b, the total fiscal package is now around RM295.0b (20.2% of GDP). Of the total, direct government fund injection is RM45.0b (3.1% of GDP), of which RM3.5b and RM31.5b were announced in the first and second stimulus packages respectively, while RM10.0b was announced under PENJANA.
  - PENJANA is the fourth of the six-staged strategy (Resolve, Resilience, Restart, Recover, Revitalise and Reform) embarked by the government to deal with the unprecedented health, economic and social impact brought about by the COVID-19 pandemic. The implementation of the Movement Control Order (MCO), injection of stimulus and recent reopening of the economy signify that the nation has passed the first three stages and the government foresees Malaysia is about to embark on the fourth stage or recovery phase in the next three to six months.
  - We view PENJANA as a comprehensive plan, touching on key segments of the economy, focussing on cost reduction for affected businesses and employees, whilst providing various incentives (e.g. home ownership campaign, sales tax exemption for purchase of passenger cars, etc) to entice those who are less financially affected by the crisis to spend and reinvigorate the domestic economy.
- **PENJANA comes at a timely manner to further support the economy when the COVID-19 infection curve has somewhat flattened and the government has decided to gradually reopen the economy**

Graph 1: Malaysia COVID-19 Pandemic Trend



Source: Kenanga Research, MoH

- Since the COVID-19 pandemic started to unfold in Malaysia on 26 January, the total number of cases has reached 8,322 with 117 deaths. This brings the mortality rate to 1.41%, which is relatively low compared to roughly 5.84% globally.
- On 25 May, Malaysia reported the first three-digit COVID-19 spike involving undocumented migrant workers after three weeks of just double-digit figures due to case detection measures implemented at various immigration detention centres. To date, the number of active cases in Malaysia has fallen to 1,531 with 80.2% recovery rate.
- As the number of local COVID-19 transmission begun to record single-digit count with most of the states being classified as the green zones, Malaysia is ready to roll out its exit strategy and end the 84 days MCO. On 7 June, Prime Minister Tan Sri Muhyiddin Yassin announced that the current Conditional MCO (CMCO) will end on 9 June and Malaysia will enter a period of Recovery MCO (RMCO) for 83 days from 10 June until 31 August. In RMCO, almost all social, business and religious activity including interstate travel and domestic tourism are allowed to resume operation in stages. However, all activities will be subjected to strict Standard Operating Procedures (SOP) and the government will not hesitate to reimpose a lockdown or MCO like what China and South Korea did, should the country see a spike in COVID-19 cases during this period.
- To steer clear of COVID-19 new wave of infections in Malaysia during the RMCO period, it is imperative that the public and foreign workers abide to the stringent SOP, namely on social distancing, travel restrictions, health and hygiene measures, outlined by the Ministry of Health (MoH). Extrapolating on Malaysia's COVID-19 pandemic trend with the assumption of high SOP compliance rate and zero new cluster of cases, our model predicts that the infection rate in Malaysia would gradually subside, and settle to no more than 8,700 cases by the end of June.
- **PENJANA is comprised of 40 initiatives crafted around the goals of empowering people, propelling businesses and stimulating the economy**
  - **People:** with 37.7% of total RM35.0b directed to the people, the government strives to safeguard jobs, incentivise hiring, prop up income and support the transition towards the new norms of working and learning remotely. Key measures include an

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extension of the wage subsidy scheme by an additional three months (RM5.3b) and free 1GB of internet data daily for education sites and video conferencing until end-2020 (RM3.0b).

- **Business:** support for businesses, largely micro enterprises and SMEs, account for 27.5% of the overall funding, with the objective of sustaining operations, uplifting productivity and digitalisation, enhancing entrepreneurial activities and reviving consumer confidence. Main initiatives are financial stress support (RM2.4b) via various tax relief measures (e.g. remissions of penalties related to late tax payments) and an additional financing facility for eligible SMEs (RM2.0b).
- **Economy:** the advent of new norms induced by COVID-19 is seen as an opportune moment for the nation to tap into new sources of growth and sharpen its competitive edge, particularly in the digital arena. About 20.5% of the total funding is allocated to push for the aforementioned as well as to provide support for the severely-affected sectors (e.g. tourism, entertainment) and to encourage purchases of local products. Of note, RM1.8b and RM1.2b are dedicated for the tourism sector and an investment fund for digitalisation, respectively.

**Table 1: Fund Allocation Breakdown of the Short-Term Economic Recovery Plan**

Initiatives	RM b	% share	Timeline
<b>People</b>			
Wage Subsidy Programme	5.30	15.11	Mid-June to end-Sep 2020
National Employment Services Job Portal Upgrade			Long term
Hiring and Training Assistance for Businesses	1.50	4.28	Mid-June to end-Dec 2020
Reskilling and Upskilling Programmes	2.00	5.70	Mid-June to end-Dec 2020
Gig Economy Social Protection and Skilling	0.08	0.21	Aug-20
Flexible Work Arrangement Incentives	0.80	2.28	Jun-20
Child Care Subsidy	0.20	0.57	Jun-20
My30 Public Transport Subsidy	0.20	0.57	Mid-June to end-Dec 2020
Social Assistance Support for Vulnerable Groups	0.11	0.31	Jun-20
PEKA B40 Healthcare Support	0.05	0.14	Immediate
Internet Connectivity for Education & Productivity	3.00	8.55	Mid-June to end-Dec 2020
<b>Subtotal</b>	<b>13.23</b>	<b>37.73</b>	
<b>Businesses</b>			
Micros and SMEs E-commerce Campaign	0.07	0.20	June to Sep 2020
"Shop Malaysia Online" for Online Consumption	0.07	0.20	Aug to Sep 2020
Technical and Digital Adoption for SMEs and MTCs	0.70	2.00	Jun-20
MyAssist MSME One Stop Shop	0.01	0.01	Jun-20
PENJANA SME Financing (PSF)	2.00	5.70	Mid-June 2020
PENJANA Tourism Financing (PTF)	1.00	2.85	Jul-20
PENJANA Microfinancing	0.40	1.14	Jun-20
Bumiputera Relief Financing	0.50	1.43	Jun-20
SME Go-scheme for Liquidity Support	1.60	4.56	Jul-20
Accelerated Payment Terms for GLC and Large Corporates' Supply Chain	-	-	Jul-20
Tax Relief for COVID-19 Related Expenses	0.60	1.71	Immediate
Financial Stress Support for Businesses	2.40	6.84	Mar-20
Social Enterprises Elevation	0.01	0.03	Aug-20
Spur Set Up of New Businesses	0.30	0.86	Jul-20
<b>Subtotal</b>	<b>9.66</b>	<b>27.53</b>	
<b>Economy</b>			
Dana Penjana Nasional	1.20	3.42	Jul-20
Technology Innovation Sandbox	0.10	0.29	Jun-20
Digitalisation of Government Service Delivery	0.02	0.06	Jun-20
National "Buy Malaysia" Campaign	0.02	0.06	Jun-20
ePenjana Credits in e-wallet	0.75	2.14	Jul to Sep 2020
Incentives for Property Sector	1.00	2.85	Jun-20
Tax Incentives for Purchase of Passenger Cars	0.90	2.56	Mid-June to end-Dec 2020
Extended Service Hours in the New Normal	0.02	0.06	Mid-June 2020
Malaysia as Attractive Horizon for Businesses	0.05	0.14	Jul-20 to Dec-21
Tourism Sector Support	1.80	5.13	Jul-20
Arts, Culture, Entertainment, Events and Exhibitions Sector Support	0.23	0.64	Jun-20
Agriculture and Food Sector Support	0.40	1.14	Jun-20
Commodity Sector Support	0.20	0.57	Jul-20
Proposed COVID-19 Temporary Measures Act	-	-	-
Sukuk Prihatin	0.50	1.43	Issuance in 3Q20
<b>Subtotal</b>	<b>7.18</b>	<b>20.48</b>	
<b>BNM Special Relief Facility</b>	<b>5.00</b>	<b>14.26</b>	
<b>Total</b>	<b>35.07</b>	<b>100.00</b>	

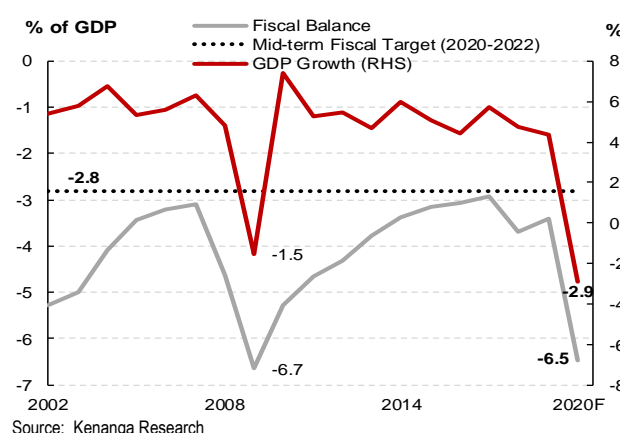
Source: Ministry of Finance

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- **GDP forecast retained while fiscal deficit is expected to widen amid higher debt to finance the fiscal stimulus**

- We revise our fiscal deficit forecast to 6.5% of GDP from the previous estimate of 5.6% (2019: 3.4%) after taking into account the latest additional RM10.0b direct injection from the government as well as the expectation of lower tax revenue on the back of tax exemption incentives and a relatively weak Brent crude oil price (KIBB forecast: USD40/barrel; BNM: USD25-35/barrel; 2019: USD64.2/barrel).
- Finance Minister, Tengku Zafrul Aziz in a media interview was quoted as saying that the direct fiscal injection of RM10.0b announced last Friday would be raised through domestic borrowing and the government has room to borrow more by comparing to 2009 fiscal deficit of 6.7% of GDP. He also hinted that the deficit for this year would be double to around 5.8-6.0% of GDP and the medium-

**Graph 2: Fiscal Balance vs GDP Projection**



term goal is to narrow it back to under 4.0% of GDP in the next three years or so. Based on previous practice, the direct fiscal spending would likely be funded through higher dividends from Government-Linked Companies (GLCs), Government-Linked Investment Companies (GLICs), fuel subsidy savings and restructuring of development and operating expenditure.

- The higher deficit would substantially expand the government debt which we forecast to reach 60.1% of GDP exceeding its statutory limit of 55.0% (1Q20: 54.3%; 2019: 52.5%) should the government finance its deficit primarily via direct debt borrowing. Nevertheless, we deem this measure as necessary in a bid to support the welfare of the people and save the economy from further setbacks. To take some comfort, Malaysia's government debt is predominantly sourced domestically through issuances of Malaysian Government Securities (MGS), Government Investment Issues (GI) and Malaysian Islamic Treasury Bills (MITB) which, to some extent, insulates the government from foreign exchange risks.
- While the government's ability to spend will be constrained by statutory debt limits, we reckon that it still has the flexibility to finance the deficit and may have to lift its statutory limit as well as recalibrating the 2020 budget. The Finance Minister did mention that the government may raise the statutory debt limit to accommodate the rise in fiscal borrowing as he expects the debt-to-GDP ratio is expected to exceed the self-imposed 55.0% limit. However, we believe that the economy will not be significantly affected if approval to breach the debt limit is granted by the Parliament. Given that the current crisis calls for extraordinary policy measures to rehabilitate the economy, it would not be a surprise that such approval would likely be granted. The last revision was made during the Global Financial Crisis of 2008-2009 when the debt limit was lifted in 2009 from 45% of GDP to 55% of GDP.
- Overall, we maintain our GDP forecast for this year at -2.9% (2019: 4.3%), weighed by the impact of COVID-19 resulting in a sharp decline in domestic demand and global trade. Though the government has decided to lift the CMCO and replace it with RMCO, we remain cautious of a possible second wave of COVID-19 infections. The pandemic is expected to weigh heavily on 2Q20 GDP growth and continue to spillover into 2H20 through the confidence channel in line with the latest MIER Consumer Confidence Index in March, which moderated sharply to 51.1 (Dec 19: 82.3). Via its PENJANA documents, the MoF stated that growth could fall as much as 4.7% this year (BNM: -2.0% and 0.5%; IMF: -1.7%; World Bank: -0.1%).
- Against the above backdrop, we believe BNM has room to slash its OPR by another 25 bps to a new record low of 1.75% at its upcoming MPC meeting in July to support economic growth as well as to further reinforce the announced fiscal measures.

**Table 2: Short-Term Economic Recovery Plan (05 June 2020)**

Purpose	Measures
Empower People	Extension of the Wage Subsidy Programme for a further three months with a subsidy of RM600 per employee
	Enhancement of the Wage Subsidy Programme as follows: <ol style="list-style-type: none"> <li>Allow employers receiving wage subsidy to implement reduced work week and reduced pay</li> </ol>

	<p>b) Allow employers to receive wage subsidy for employees on unpaid leave, subject to employees receiving the subsidy directly (only applicable for tourism sector and businesses which are prohibited from operating during CMCO)</p>
	Enhancement of the National Employment Services job portal
	<p>Government will introduce incentives to encourage the hiring of unemployed youth and workers as follows:</p> <ol style="list-style-type: none"> <li>RM600/month for apprenticeships for school leavers and graduates for up to 6 months</li> <li>Below 40 years old: RM800/month for employment of unemployed for up to 6 months</li> <li>40 years old and above: RM1,000/month for employment of unemployed for up to 6 months</li> <li>Training allowance of RM4,000/individual will also be extended to those retrenched but not covered under the Employment Insurance System (EIS)</li> </ol>
	Reskilling and upskilling programmes for Youth and Unemployed Workers
	Government will facilitate policies to support the growth of the gig economy and the welfare of gig economy workers
	<p>To sustain the new normal of work-from-home, the government will support employers and employees with the following:</p> <ol style="list-style-type: none"> <li>Further tax deduction for employers which implement Flexible Work Arrangements (FWAs) or undertake enhancement of their existing FWAs (effective 1st July 2020)</li> <li>Individual income tax exemption of up to RM5,000 to employees who receive a handphone, notebook &amp; tablet from their employer (effective 1st July 2020)</li> <li>Special individual income tax relief of up to RM2,500 on the purchase of handphone, notebook &amp; tablet (effective 1st June 2020)</li> </ol>
	<p>Government will support working parents through the subsidy of childcare expenses:</p> <ol style="list-style-type: none"> <li>eVouchers of RM 800 per household for mobile childcare services, to be utilised from now till end of August 2020</li> <li>Increase in income tax relief for parents on childcare services expenses, from RM2,000 to RM3,000 for Year of Assessment (YA) 2020 and 2021</li> </ol> <p>There will also be incentives to encourage childcare centres to comply with the new normal and to incentivise certification of early education practitioners:</p> <ol style="list-style-type: none"> <li>One-off grant of up to RM5,000 per childcare centre registered with the Ministry of Women, Family and Community Development (up to 31st December 2020) to comply with new healthcare SOPs</li> <li>Incentive to train new practitioners for child nursing and early education course under Ministry of Women, Family and Community Development</li> </ol>
	My30 Public Transport Subsidy
	Social assistance support and One-off financial assistance of RM300 to identified vulnerable groups
	Government will double the existing allocation for the PEKA B40 Programme to a total of RM0.1b in order to fund four benefits for the B40 group
	<p>Support will be provided to increase internet connectivity through the following:</p> <ol style="list-style-type: none"> <li>Free 1Gb per day between 8am to 6pm until end -2020 for education, productivity (video conference applications) and news by participating telecommunication companies</li> <li>Free unlimited use of Government's COVID-19 applications and access to Ministry of Health and other Government websites</li> </ol>
<b>Propel Businesses</b>	Eligible Micro enterprises and SMEs will be onboarded to shift towards business digitalisation through a co-funded programme with MDEC and e-commerce platforms
	Government will collaborate with e-commerce platforms to co-fund digital discount vouchers to encourage online spending on products from local retailers
	<p>Government will continue to provide grants and loans to eligible enterprises for adoption or subscription of digitalisation services under the following programmes:</p> <ol style="list-style-type: none"> <li>SME Digitalisation Matching Grant totalling RM100.0m, in partnership with telecommunication companies</li> <li>SME Technology Transformation Fund totalling RM500.0m loan (application opens from July 2020)</li> <li>Smart Automation Grant totalling RM100.0m, capped at up to RM1.0m per company</li> </ol>
	Support SMEs and microenterprises through MyAssist MSME (a one stop shop business advisory center)

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	PENJANA SME Financing (PSF): the banking sector will offer an additional RM2.0b of funding to assist SMEs adversely impacted by COVID-19 sustain business operations at a concession rate of 3.5%. This financing facility will be made available in mid-June 2020 with a maximum loan size of RM0.5m per SME
	PENJANA Tourism Financing (PTF): provision of funding facility for the tourism sector to remain viable and competitive in the new normal
	PENJANA Microfinancing to support microenterprises where RM50.0m will be earmarked for women entrepreneurs
	Bumiputera Relief Financing through PUNB and MARA
	SME Go-Scheme for Liquidity Support: to provide liquidity for SME contractors to start delivering on Government projects
	Accelerated Payment Terms for GLC and large corporates' supply chain to provide relief cashflow to SMEs who are part of the supply chain
	Tax Relief for COVID-19 Related Expenses
	Ease financial stress of business through: <ul style="list-style-type: none"> <li>a) 50% remission of penalty for late payment of sales tax &amp; service tax due and payable from 1st July 2020 to 30th September 2020</li> <li>b) Extension of special tax deduction for renovation and refurbishment of business premises to 31st December 2021</li> <li>c) Extension of Accelerated Capital Allowance on eligible capital expenses including ICT equipment to 31st December 2021</li> <li>d) Extension of special deduction equivalent to 30% reduction in rental for SMEs to 30th September 2020</li> </ul>
	Government will provide a matching grant through Malaysian Global Innovation & Creativity Centre (MaGIC) totalling RM10.0m to relevant social enterprises
	Spur set up of new businesses by providing financial relief in the form of: <ul style="list-style-type: none"> <li>a) Income tax rebate up to RM20k per year for 3 years of assessment for newly established SME between 1st July 2020 to 31st December 2021</li> <li>b) Stamp duty exemption for SMEs on any instruments executed for Mergers and Acquisitions (M&amp;As), for period between 1st July 2020 to 30th June 2021</li> </ul>
<b>Stimulate Economy</b>	<i>Dana Penjana Nasional</i> : to support digitalisation of Malaysian businesses by channelling funding from international investors into the local venture capital space
	Technology Innovation Sandbox: to encourage innovation and creativity that can propel the digitalisation of service delivery
	Accelerate the digitalisation of government services to reduce face-to-face transactions
	National "Buy Malaysia" Campaign to push for consumption of local products and services
	ePenjana: RM50 e-wallet credit with additional RM50 in value through vouchers, cashback and discounts for all Malaysians aged 18 and above; and earning less than RM100k annually
	Tax exemption for purchase of properties: <ul style="list-style-type: none"> <li>a) Home Ownership Campaign (HOC) to be reintroduced: <ul style="list-style-type: none"> <li>- Stamp duty exemption on the instruments of transfer and loan agreement for the purchase of residential homes priced between RM0.3m to RM2.5m subject to at least 10% discounts provided by the developer.</li> </ul> </li> <li>b) RPGT exemption for disposal of residential homes from 1st June 2020 to 31st December 2021</li> <li>c) The current 70% margin of financing limit applicable for the third housing loan onwards for property valued at RM600,000 and above, will be uplifted during the period of the HOC</li> </ul>
	Tax exemption for purchase of passenger cars: <ul style="list-style-type: none"> <li>a) Full sales tax exemption on locally assembled cars</li> <li>b) 50% sales tax exemption on imported cars</li> </ul>
	Extended service hours for Government services in UTCs
	Tax incentives for company relocating into Malaysia: <ul style="list-style-type: none"> <li>a) 0% tax rate for 10 years for new investment in manufacturing sectors with capital investment between RM300.0 - RM500.0m</li> <li>b) 0% tax rate for 15 years for new investment in manufacturing sectors with capital investment above RM500.0m</li> </ul>

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	c) 100% Investment Tax Allowance for 5 years for existing company in Malaysia relocating overseas facilities into Malaysia with capital investment above RM300.0m
	Tax incentives for the tourism sector: a) Tourism tax exemption from 1st July 2020 to 30th June 2021 b) Extension of service tax exemption for hotels to 30th June 2021 c) Extension of period for income tax relief of RM1,000 for tourism expenses to 31st December 2021 d) Extension of period for deferment of tax instalment payment for tourism industry to 31st December 2020
	Dedicated funding and support for the arts, culture, entertainment, events and exhibitions sector
	Micro credit financing for agriculture sector and promoting urban farming for food security
	Support the commodity sector through 100% export duty exemption from 1 July 2020 to 31 December 2020
	Introduction of COVID-19 Temporary Measures Act to minimise disruption to social and economic well-being
	MOF will issue an Islamic debt instrument, the Sukuk Prihatin, to enable the Rakyat to join the government in supporting post recovery measures

**Table 3: Additional 2<sup>nd</sup> Economic Stimulus Package (06 April 2020)**

SMEs support	Measures
<b>Wage Subsidy Program</b>	Applicable to companies with local workers earning below RM4,000 as follows: a) Companies with 200 workers or more would be entitled to RM600 per worker b) Companies with between 76 to 200 workers would be entitled to RM800 per worker c) Companies with up to 75 workers would be entitled to RM1,200 per worker
<b>Special grants for Micro SMEs</b>	Government will give a special grant worth RM3,000 each for 700,000 micro SMEs nationwide
<b>Micro Credit Scheme</b>	Government would abolish the 2% interest rate for the RM500 million Micro Credit Scheme
<b>Rental Exemption</b>	a) Rental exemption or offering rental discount for SMEs using premises owned by government linked corporations b) Private premise owners that give a discount exceeding 30% would be entitled to additional tax exemptions
<b>Foreign Workers' Levy</b>	Government will allow a 25% reduction in foreign workers' levy to all companies whose workers' permits expire between Apr 1 and Dec 31, 2020
<b>Automatic Moratorium</b>	Government to impose an automatic 30-day moratorium for companies submitting statutory documents to the Companies Commission of Malaysia (SSM)

**Table 4: COVID-19 2020 2<sup>nd</sup> Economic Stimulus Package (27 March 2020)**

Purpose	Measures
<b>Public Welfare</b>	RM500.0m for Ministry of Health (MoH) to ramp up the capability and resources of MoH
	Takaful and insurance payments to be deferred for 3 months for those who are affected
	Special allowance of RM200 for healthcare workers is raise from RM400 to RM600 a month from April 1 until the end of pandemic
	Additional special allowance of RM200 a month for front liners (police, immigration, customs department)
	National Caring Aid involving one-off cash payment as follows: e) RM1,600 for households earning RM4,000 and below f) RM1,000 for households earning RM4,001 to RM8,000 g) RM800 for single Malaysians aged 21 and above earning RM2,000 and below h) RM500 for single Malaysians aged 21 and above earning between RM2,000 to RM4,000
	Balance from the ongoing <i>Bantuan Sara Hidup (BSH)</i> will be paid on July 2020
	RM200 one-off aid to students of higher education institutions who are affected

	<p>Deferment of six-month PTPTN loan repayment effective 1st April 2020</p> <p>Those infected or suspected with COVID-19 can claimed RM50 daily for up to 14 days from mySalam</p> <p>Government allows withdrawal of account B from PRS from April to December 2020 up to RM1,500</p> <p>Exemption of rental payment for PPR and public housing for six months</p> <p>Federal government premises such as school canteens, nurseries, cafeteria and convenience stores are exempted from paying rent for six months</p> <p>Government with TNB will add an allocation of RM530.0m for discounts between 15-50% for electricity usage up to a maximum of 600kW a month for six months from the April bill</p> <p>Free internet from April onwards until the end of Movement Control Order (MCO).</p> <p>One off cash of RM500 for public servants below grade 56, including contract staff</p> <p>Government pensioners to receive RM500 one-off cash aid</p> <p>Government will introduce a wage subsidy of RM600 a month for three months for employers with a 50% drop in business revenue since Jan 1, for workers with a salary of below RM4,000</p> <p>One-off cash payment of RM500 for e-hailing drivers</p> <p>Government will pay the salaries borne by contractors involved in the service sector such as cleaning services and supply of cooked food in government agencies</p>
<b>Supporting Businesses</b>	<p>Government and BNM will set additional allocation of RM4.5b for SME and micro entrepreneurs which will comprise of five initiatives as follows:</p> <ol style="list-style-type: none"> <li>Government will add funds to the RM3.0b special relief facility for SMEs bringing the total to RM5.0b. In addition, the interest rate for the entire fund will be reduced from 3.75% to 3.50%</li> <li>The size of the fund will also be increased by as much as RM1.0b to RM6.8b under <i>Kemudahan Semua Sektor Ekonomi</i> to enhance financing access to all SMEs</li> <li>The government will provide additional funds of RM500.0m under the Micro Credit Scheme which makes a total of RM700.0m allocated for easy financing. The scheme will be run by <i>Bank Simpanan Nasional</i>, who's offering only 2.0% interest free of charge. Loan eligibility requirements will also be extended with a minimum of 6 months of operation compared to 1 year of operation. The financing amount is also increased from a maximum of RM50,000 to RM75,000 per entrepreneur. The initiative is open to all micro entrepreneurs in all business sectors including taxi operators, bus operators, the creative industry, and online traders</li> <li>SMEs with business records of less than 4 years, can take advantage of the BizMula-i and BizWanita-i Credit Guarantee Corporation Malaysia Berhad (CGC) schemes for financing up to RM300,000</li> <li><i>Syarikat Jaminan Pembiayaan Perniagaan (SJPP)</i> will provide RM5.0b worth of guarantees as well as increasing the guarantee rate from 70% to 80% for SME companies that have trouble getting loans</li> </ol> <p>Government introduce initiatives to alleviate cash flow issues as follows:</p> <ol style="list-style-type: none"> <li>EPF will introduce the Employment Consultation Service programme on April 15, 2020. This service includes options for delaying payments, restructuring, and rescheduling employer contributions. The government expects this measure to provide cash flow savings to employers at an estimate of RM10.0b. The initiative will benefit more than 480,000 SMEs and affected companies, while saving over 8 million jobs</li> <li>Exclusion from levy payments for the Human Resources Development Fund (HRDF) for all sectors for a period of 6 months beginning April 2020. This measure is expected to assist company cash flow with an overall saving of RM440.0m.</li> <li>Allowed the suspension of income tax instalment payments for all SMEs for a period of 3 months beginning April 1, 2020 This is in addition to the previously announced measures under which the government allowed the postponement of tax instalment payments to businesses affected by the tourism sector for 6 months beginning April 1, 2020. For those in other affected sectors, they are allowed to amend the tax amount income incurred in the third, sixth and ninth monthly instalments during the business period</li> </ol> <p><i>Danajamin</i> will provide RM50.0b in loan guarantees to struggling companies seeking to raise funds for working capital. The minimum loan size under this guarantee scheme is RM20.0m per business. Each guarantee is up to 80% of the total loan taken for the purpose of working capital</p>
<b>Strengthening Country's Economy</b>	<p>Government has identified several small projects worth RM2.0b such as upgrading roads and schools in Sabah and Sarawak, cleaning of worship houses and police stations, as well as increasing tourism facilities that will benefit G1 to G4 Classes of contractors</p>

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	Implementing infrastructure projects in FELDA area and others worth RM600.0m, repairing dilapidated schools worth RM350.0m in Sabah and Sarawak and repairing homes under the Hardcore Poor Housing Programme worth RM150.0m
	RM1.0b allocated to Food Security Fund
	RM100.0m for food storage, distribution infrastructure and a crop integration programme
	Government will continue the implementation of all the projects allocated in the 2020 Budget, including the East Coast Rail Link (ECRL) project, Mass Rail Transit (MRT) 2, and the National Optical and Connectivity Plan

**Table 5: MoF Additional Measures (19 March 2020)**

Institutions	Measures
All Financial Institutions under BNM	Special financing of up to RM1 million without collateral under the special assistance facility to the SMEs affected by the COVID-19 outbreak
	Reschedule & Restructuring facility for businesses, SMEs, and individuals, including the postponement of monthly installment (moratorium)
Insurance and takaful companies	Hospitalization facility for life insurance and takaful policyholders affected by COVID-19
	Coverage extension to existing medical insurance/ takaful policyholders and new policyholders (types of coverage vary according to insurance and takaful companies) such as:
	a) Hospitalisation financial assistance (example: RM200/ day for 30 to 60 days), and extended to the immediate care of a family member diagnosed with COVID-19;
	b) Benefits of Death (up to RM20,000) - extended to the protection of immediate family members diagnosed with COVID-19;
	c) Special Protection Payment (up to RM5,000) upon diagnosis of COVID-19 disease; and
	d) Overseas medical expenses protection (due to Covid-19) when dealing overseas (travel insurance)
Inland Revenue Department	- Income Tax return E-Filing and manual submission deadline to be extended to 30 June 2020

**Table 6: COVID-19 2020 1<sup>st</sup> Economic Stimulus Package (27 February 2020)**

Strategy	Measures
Strategy I: Mitigating Impact of Covid-19	Deferment of monthly income tax instalment payments for businesses in the tourism sector. In addition, companies affected by the COVID-19 to be allowed to revise their profit estimates for 2020 with respect to monthly income tax instalment payments without penalty
	15% discount in monthly electricity bills to hotels, travel agencies, airlines, shopping malls, conventions and exhibitions centres
	Exemption on Human Resource Development Fund (HRDF) levies for hotels and travel related companies
	Exemption on 6% service tax for hotels from March to August 2020
	Bank Negara Malaysia (BNM) will provide a Special Relief facility worth RM2 billion, particularly in the form of working capital for Small Medium Enterprises (SMEs) at an interest rate of 3.75%
	Bank Simpanan Nasional (BSN) will allocate a RM200 million in microcredit facility offering an interest rate of 4% to affected businesses. In addition, the approval process for existing loan funds will be further streamlined such as Bank Pembangunan's Tourism Infrastructure Fund of RM1.5 billion
	Malaysia Airport Holdings Berhad (MAHB) will provide rebates on rental for premises at the airport as well as landing and parking charges
	A one-off payment of RM600 each to taxi drivers, tourist bus drivers, tourist guides and registered trishaw drivers
	Special monthly critical allowance of RM400 for medical doctors and other medical personnel, as well as RM200 for immigration and related front line staff commencing February 2020 until the end of pandemic for Government staff directly involved in the containment efforts
	Up to RM100 million on a matching grant basis to HRDF to fund an additional 40,000 employees from the tourism and other affected sectors
	RM50 million to subsidise short courses in digital skills and highly skilled courses. This incentive is expected to benefit 100,000 Malaysians



09 June 2020

	EIS will increase the claimable training cost from RM4,000 to RM6,000 for the affected sectors. A daily training allowance of RM30 per day will also be provided to trainees under EIS
	Personal income tax relief of up to RM1,000 on expenditure related to domestic tourism
	Digital vouchers for domestic tourism of up to RM100 per person for domestic flights, rails and hotel accommodations for all Malaysians. Additional matching grants for tourism promotion will be provided (total allocation of RM500 million)
	Relaxation of existing guidelines limiting use of hotels by Government agencies as part of mitigating the reduced demand
<b>Strategy II: Catalysing Rakyat Centric Economic Growth</b>	Employees Provident Fund (EPF) contribution by employees will be reduced by 4% from 11% to 7% (optional), with effect from 1 April 2020 to 31 December 2020. This will potentially unlock up to RM10 billion worth of private consumption
	A payment of RM200 to all Bantuan Sara Hidup (BSH) recipients scheduled for May 2020 will be brought forward to March 2020
	Additional RM100 will be paid into the bank accounts of all BSH recipients in May 2020. Subsequently, an additional RM50 will be channelled in the form of e-tunai
	Agrofood facility of RM1 billion will be provided by BNM at an interest cost of 3.75% to promote food production activities to meet domestic and export demand
	RM10 million allocation to FAMA to provide food storage facilities to help reduce food prices
	Grants of RM1,000 to 10,000 local entrepreneurs to promote sale of their products on e-commerce platforms
	Allocation of RM20 million to Malaysian Digital Economy Corporation (MDEC) for Perkhidmatan e-Dagang Setempat (PeDAS) programme to transform Pusat Internet Desa into e-commerce hubs
	Additional RM2 billion for the immediate implementation of small infrastructure repair and upgrading projects nationwide especially in rural areas
Ministry of Finance (MoF) will provide special relaxation on financial procedures for the year 2020	
<b>Strategy III: Promoting Quality Investments</b>	Expedite tenders and implementation of development expenditure projects
	Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC) will open for bids quota of 1,400MW for solar power generation (to involve RM5.0b of private investments and generate 25,000 jobs)
	Malaysian Communications and Multimedia Commission (MCMC) will implement up to RM3 billion on works related to the National Fiberisation and Connectivity Plan (NFCP)
	TNB will invest RM13 billion in 2020, including accelerating projects such as LED street lights, transmission lines and rooftop solar installations
	A Co-Investment fund of RM500 million to be co-invested and matched by private investors on a ratio of at least 1 to 3 which will make the total funds amount to RM2 billion for investment in early-stage and growth-stage Malaysian companies
	Waiving of the listing fees by Securities Commission and Bursa Malaysia for one year, for companies seeking listing on Leading Entrepreneur Accelerator Platform (LEAP) or Access, Certainty, Efficiency (ACE) markets, as well as companies with market capitalisation of less than RM500 million seeking listing on the Main Market
	SME Automation & Digitalization Facility of RM300 million at an interest cost of 3.75% by BNM
	Accelerated capital allowances over a two-year period on expenses incurred on machinery and equipment including ICT
	Tax deduction of up to RM300,000 on renovation and refurbishment cost
	Import duty and sales tax exemption on importation or local purchase of machinery and equipment used in port operations for 3 years commencing 1 April 2020

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**For further information, please contact:**

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Atiqa Noor Azlan**  
Economist  
[atiqa.noorazlan@kenanga.com.my](mailto:atiqa.noorazlan@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

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Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)