

## Stimulus package ‘clever’, say economists, but employers call it ‘muddled’

Minderjeet Kaur -March 28, 2020 9:53 AM

PETALING JAYA: Economists and a federation representing the private sector have different views about the second stimulus package announced by Prime Minister Muhyiddin Yassin yesterday.

While economist say it will increase cash flow in the market, the Malaysian Employers Federation (MEF) says the limited aid to private companies will see millions losing their jobs.

Nazari Ismail, professor at the Department of Policy and Strategy of Universiti Malaya, said the RM250 billion package should be enough for now.

“But this is a short-term solution because the government is under tremendous pressure to help companies and people who are in trouble due to the movement control order,” he told FMT.

If the government did not provide aid to keep businesses afloat, it would lose at the next general election, he noted.

The government currently has debts of more than RM1 trillion.

“So this stimulus package will add to the government’s debt and will cause more problems in the future,” Nazari said, stating that people would have to pay more taxes in the future.

“But that is in the future and not many people care too much about the future, especially politicians who are trying to survive politically in the next few years.”

He proposed that the government come up with long-term solutions to cash flow problems.

Independent economist Hoo Ke Ping said the package was aimed at immediately increasing cash flow in the market.

He said employees could now withdraw money from Account 2 of their Employees Provident Fund (EPF) contributions.

Under the package, four million households earning less than RM4,000 will get a one-off RM1,600 payment while those earning RM4,000 to RM8,000 will receive RM1,000.

Three million singles earning RM2,000 will receive RM800 while those earning RM2,000 to RM4,000 will receive RM500 in one-off payments.

“With additional cash in hand and loan deferments, companies will have extra cash. It will have a multiplier effect,” Hoo said.

Meanwhile, Yeah Kim Leng of Sunway University Business School said it was crucial to support low-income households.

“The cash will help those who face financial constraints, especially those facing retrenchments or have to be on unpaid leave,” he said.

Yeah said the moratorium on loans repayment would be helpful, especially for firms facing cash flow problems and a drop in product demand during the movement control order period.

He described it as a “clever package” as much of the money was not from the government but from other sources – RM40 billion from EPF withdrawals and RM100 billion from the loan moratorium.

But MEF executive director Shamsuddin Bardan expressed disappointment with the stimulus package, calling it “muddled” instead.

He said the sum of RM250 billion seemed like a big amount but it had failed to encourage private companies from retrenching staff.

Shamsuddin said more than half a million small and medium-sized enterprises had been experiencing 50% revenue loss since January.

“Employers are not allowed to retrench or give unpaid leave. How are they going to find money?” Shamsuddin asked, adding that companies might not be able to boost their business as business was slow globally.

He said the prediction by the Malaysian Institute of Economic Research (MIER) that 2.4 million jobs would be lost might come true as companies had not been given the right aid under the package to survive.

The government, he said, should understand that the MCO from March 18 to April 14 had affected many manufacturing plants and businesses, yet they were required to pay full amounts in salaries.