

Worse yet to come for businesses

CMCO will cause economy to stall as consumers reduce spending: MEF

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PETALING JAYA: Businesses are bracing for a more severe blow, with the extension of the conditional movement control order (CMCO) to Dec 6.

While the government has said that businesses are allowed to continue operating so long as standard operating procedures (SOP) are strictly observed, most entrepreneurs believe it is inevitable that economic activities will slow down.

“Consumers will very likely reduce consumption during the CMCO and this will stall the economy even further,” Malaysian Employers Federation (MEF) chief executive officer Datuk Shamsuddin Bardan told theSun.

“We have already seen a 5% to 7% reduction in economic activities in the Klang Valley during the first round of the CMCO (that ended on Nov 9),” he said.

Worse than that, the lockdown is very likely to be extended beyond Dec 6 if the current rate of new infections is not lowered. Daily new cases has stayed within the 600 to 1,800 range over the past two weeks.

There were hopes of a quick recovery when the number of new infections were in single or low double-digits from early June to early September, but a third wave swept across the country after the Sabah election in late September, raising the number of infections to unprecedented levels.

Shamuddin acknowledged that the government has no choice but to extend the CMCO, given the high rate of infections.

He said most of the bigger enterprises will be able to survive the new onslaught but micro businesses will find the challenge too overwhelming and call it a day.

Since March, more than 32,000 small and medium enterprises (SME) have ceased operations.

Shamsuddin said the government can help SME survive by extending the wage subsidy programme beyond Dec 31.

SME Association of Malaysia secretary Yeoh Seng Hooi said the extension of the CMCO is choking the economy.

“Instead of the CMCO, we should have the recovery movement control order (RMCO) and stress on strict adherence to the SOP,” he said.

“It will be tough for businesses to survive this extension as the constriction of demand will dampen cash flow further and many SME that depend on the domestic market have been severely affected,” added Yeoh.

He said the government should also provide aid by extending wage subsidies to all SME until June 2021 as well as extending the moratorium on loan repayments.

“The government, being the biggest purchaser of goods and services at this time, should also consider reserving at least 30% of its procurement for SME,” Yeoh said.

“SME need sales and revenue to pull through this period. The increase in public consumption can make up for the drop in private consumption.”