



THE OUTBREAK OF THE COVID-19 PANDEMIC IN MALAYSIA: A CONCEPTUAL ANALYSIS

Alesia Sigang Gugkang^a, Yee-Ee Chia^{b*}, Lilian Shiau-Gee Lee^c

^{a, b} *Labuan Faculty of International Finance, Universiti Malaysia Sabah, F.T. Labuan, Malaysia.*

^c *Academic of Art and Creative Technology, Universiti Malaysia Sabah, Malaysia.*

**Corresponding author's email: chiayeee@ums.edu.my*

ABSTRACT

Leading to declining business activity, disrupted industrial supply chains, and employee quarantine, the COVID-19 outbreak not only raised health concerns but also had a significant economic impact on Malaysia. The objective of this conceptual paper is to discuss the overall impact of the COVID-19 pandemic on Malaysia's most vulnerable populations. This study proposes quantitative research approach based on statistical data to further explore our objectives. From 4th May 2020 to 30th April 2021, the key data on the total number of confirmed cases of COVID-19 and the total number of individual recovered cases were collected via the Ministry of Health Malaysia. This study concludes that recovery and stabilization measures are necessary in times of pandemic, where economic sectors have been allowed to open up under strict guidelines. Thus, the economy could be resurrected to meet today's issues by implementing standard operating procedures (SOPs), stimulating investment and businesses, and restoring the economy in stages.

JEL classification: F00, O10, R11.

Keywords: COVID-19, economic growth, Malaysia.

Received: March 5, 2022

Revised: November 16, 2022

Accepted: November 29, 2022

1. INTRODUCTION

COVID-19 or SARS-CoV-2 is one of the outbreaks that has affected the world not only in the aspect of economics but in other aspects as well. The outbreak started in China Wuhan City, with the first case of COVID-19 was reported on 30th December 2019. On 7th January 2020, the Chinese Center for Disease Control and Prevention confirmed the identification of a novel virus (Gralinski and Menachery, 2020). The pandemic has become a silent killer to the world, and it has affected many countries and other sectors and services since it's an outbreak. Based on the World Health Organization's (2020) report, there were 1,590 confirmed cases in Wuhan on 27th January 2020 including 85 cumulative death cases, as well as many confirmed cases exported from several countries

such as Cambodia, Canada, France, Japan, Malaysia, Nepal, Republic of Korea, Singapore, Thailand, United States of America, and Vietnam.¹

Moving to Malaysia, the first incidence of COVID-19 was discovered on 25th January 2020, by three Chinese citizens who had previously had close contact with an infected person in Singapore.² This is because they arrived in Malaysia via Singapore on 24th January 2020. After that, the second case was confirmed with positive COVID-19 on 4th February 2020 with a 41-year-old man who had returned from Singapore was quarantined at Sungai Buloh hospital after he began to get a fever and cough.³ Subsequently, another new case was reported positive case on 6th February 2020. A 40-year-old Malaysian woman had no prior exposure to contaminated places, but she was one of the younger sisters of a positive patient, and she is the first COVID-19 patient to contract the virus through local transmission.

The reported COVID-19 cases in Malaysia can be separated into three waves as of March 2020. There were 22 confirmed cases of COVID-19 infection in the first wave. More specifically, 12 cases were from personnel under surveillance (PUI), 8 cases from close contacts, and 2 cases were from Hubei, China. The second wave included 52 PUI cases, with the remaining cases coming from two large clusters that had been detected. The third wave involved widespread local transmission among people who attended a four-day religious event at Selangor's Sri Petaling Mosque. Edinur and Safuan (2020) show that in over 3,370 cases, the Sri Petaling cluster became Malaysia's largest COVID-19 cluster and spread out into numerous sub-clusters. Table 1 displays the confirmed COVID-19 sub-clusters cases in Sri Petaling is sourced from Edinur and Safuan (2020). These new clusters recorded the COVID-19 being greater threatened in Malaysia significantly.

Table 1: Total number of COVID-19 sub-clusters cases in Sri Petaling.

Sub-Cluster	State / Federal Territory	No of confirmed cases
Kampung Sungai Lui	Pahang	211
Pasar Borong	Kuala Lumpur	204
Bandar Baru Ibrahim Majid	Johor	193
Selangor Mansion	Kuala Lumpur	179
Bandari Baru Bangi	Selangor	159
Maahad Darul Uloom Al Islamiyyah	Pahang	85
Plaza City One Tower	Kuala Lumpur	55
Rembau	Negeri Sembilan	53
Madrasah Bustanul Ulum Abu Bakar	Melaka	41
SP in Kuching	Sarawak	41
PKNS Flats	Selangor	37
Pasar Besar Jalan Othman	Selangor	28
Pekan	Pahang	22
Pasir Gudang Edible Oil	Johor	15
Malayan Mansion	Kuala Lumpur	13
Madrasah Penanti	Pulau Pinang	11
Wet Market, Selayang	Selangor	6

¹ <https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200127-sitrep-7-2019--ncov.pdf>

² <https://www.theborneopost.com/2020/01/25/first-coronavirus-cases-in-malaysia-3-chinese-nationals-confirmed-infected-quarantined-in-sungai-buloh-hospital/>

³ https://www.bernama.com/en/general/news_covid-19.php?id=1811373

Source: Edinur and Safuan (2020)

Therefore, the Prime Minister of Malaysia has announced a first Movement Control Order (MCO) for 14 days, beginning 18th March and ending 31st March 2020 to control the coronavirus outbreak in phase 1. After the phase 1 observation, the number of confirmed cases remain high and the government decided to extend the MCO for phase 2 until phase 4 from 1st April 2020 – 14th April 2020, 15th April 2020 – 28th April 2020, and 29th April 2020 – 3rd May 2020. After MCO 1.0 was ended, the government changed to a Conditional Movement Control Order (CMCO) after the positive cases were reduced (4th May 2020 – 9th June 2020) and Recovery Movement Control Order (RMCO) was implemented after the reported cases decrease to a two-digit number (10th June 2020 – 31st December 2020).

During the CMCO and RMCO periods, most of the economic sectors and activities were allowed to operate to slowly recover from Malaysia's national economy. With a relaxation of restrictions, the government allowed unrestricted interstate travel across states and districts starting on 7th December 2020 subject to the states under Enhanced Movement Control Order (EMCO). At the year-end of December 2020, the number of daily reported cases are started to increase caused by interstate traveling and Christmas celebrations. Thus, government introduced MCO 2.0 effective on 13th January 2021 for the 6 states: Penang, Selangor, Melaka, Johor, Sabah, and Wilayah Persekutuan (Kuala Lumpur, Putrajaya, Labuan). Despite the government has taken some actions, Malaysian citizens are advised to continue to follow standard operating procedures (SOPs). The COVID-19 pandemic not only impacts Malaysia's economy but the company, business, and tourism are severely affected.

Therefore, the objective of this paper is to review how the COVID-19 pandemic impacted on the economic indicators in Malaysia namely, economic growth, inflation, and unemployment after Movement Control Order (MCO) 1.0 was ended. Our review findings show that the COVID-19 pandemic has had a substantial influence on the different industries of the economy in Malaysia such as manufacturing, tourism, retail, airlines, hotels, and business services.

2. REVIEWING MALAYSIA'S ECONOMIC CONDITION POST-COVID-19

2.1 The Impact of Pandemic COVID-19 on Economic Growth

Economic growth is one of the greatest impacts of COVID-19 during the Movement Control Order (MCO) in Malaysia. Economic growth is defined as a rise in real GDP that will increase the value of national output. It is an important key to achieving the macroeconomic goal since it can improve standards of living, more tax revenues, and the creation of new jobs. Other than that, capital goods, labour force, technology, and human capital all have the potential to contribute to economic growth. In emerging and developing economies, since the outbreak of coronavirus, it has triggered and worsened the trend of slowing potential growth and productivity growth. In summary, the COVID-19 has impacted various industries throughout Malaysia such as manufacturing (textile, apparel, leather and footwear, metal, and electricity), wholesale and retail followed by the accommodation and food and beverages as the main three which suffered significant losses (Nga et al., 2021; Kabir et al., 2020; Khatib et al., 2021).

For example, the tourism sector was one of the main sectors to suffer the most losses. Malaysia had hope to see a surge in the tourism industry in the year 2020 through the "Visit Malaysia 2020" campaign. However, all aspirations have been dashed after the COVID-19 infections (Razak, 2020). This was due to the Malaysian government imposed

restrictions of movement within the country and entry restrictions of foreign citizens in response to the COVID-19 outbreak. All the travellers were forced to postpone their trips and cancel their hotel reservations as well as flight plans, which affected the Malaysian economy's revenue (Razak, 2020; Nga et al., 2021). The number of tourism arrivals to Malaysia is decreasing from 26.10 million in 2019 to 4.33 million in 2020 (Ministry of Tourism, Arts, and Culture Malaysia, 2021). This causes to hotels lost RM510.75 million in room income during the first phase of the MCO (18th March 2020 – 31st March 2020), and an anticipated RM570.35 million in the second phase of MCO from 1st April 2020 until 14th April 2020 (Ganesan, 2020). The Malaysian Association of Hotels (MAH) shows that Malaysia has a loss amounting to RM75.69 million in revenue from 22nd January 2020 until 20th March 2020. This is because during that time 193,057 room bookings had been cancelled, which caused Malaysia's revenue to decrease (Mahalingam, 2020). Therefore, the gross domestic product in Malaysia has fallen as fewer goods and services can be produced in the country.

Individuals and businesses will face the high risk of immediate cash flow constraints. Technically, those businesses and vulnerable groups like part-time workers, lower-income individuals, and Small and Medium Enterprises (SMEs) will get into the trouble of financial problems, and this may affect their purchasing power (Kabir et al., 2020; Utit et al., 2021). The Malaysian economy has recorded negative growth for the third quarter in a row in 2020, due to the performance of economic activities in response to internal supply and demand factors, as well as the impact of the international sector. This is because when MCO was implemented, most of the business activities such as retail stores and e-businesses were temporarily closed except for services sectors being opened (Hasanat et al., 2020).

From a macro level, the temporary closure of business and services, along with the restrictions on travel and movement has brought an impact on personal consumption expenditures and business investment. This is due to after MCO has begun, individual income and business revenue decreases. For example, Utit et al. (2021) explored the impact of COVID-19 on Small and Medium Enterprises (SMEs) and their linkages with larger sectors within the country. There is significant finding from both business and policy perspective – where they are various efforts taken to support SMEs through the collaboration with large organizations (Utit et al., 2021; Khatib et al., 2021). Furthermore, macroeconomic impacts nationwide were focused on sectors such as food processing, textiles, apparel and footwear, and paper products.

2.2 Inflation

Subsequently, the impact of COVID-19 during Movement Control Order in Malaysia is inflation. Inflation means increasing the price level in an economy. More specifically, inflation refers to the rise in the cost of living as the price of goods and services increases. For example, food prices are likely to increase as the cost of production and distributions rise overall. Based on the Statista data, the Malaysia inflation rate has decreased from 0.66% in 2019 to -1.14% in 2020.⁴ Generally, when the country's inflation rate drops down to a negative inflation rate, deflation happened. Deflation happens when the price of goods and services decreases. Therefore, the total consumer price index (CPI) of Malaysia has been severely impacted due to the forced shutdown of companies, which

⁴ <https://www.statista.com/statistics/319033/inflation-rate-in-malaysia/>

physically barred individuals from participating in any economic activities. This is also significantly making a decline in world oil prices (OECD, 2020).

In Malaysia, various efforts were taken to curb inflation and provide assistance to citizens during the pandemic. For example, Shah et al. (2020) presented the RM20.0 billion stimulus in February 2020, which was the consequent amount after promised RM250 billion. The government provided financial stimulus aimed at rejuvenating the economy and revitalizing Malaysia's financial markets that have been badly affected (Razak et al., 2021). The PRIHATIN package is believed to ease the burden of citizens from various backgrounds including students, families to business owners. Furthermore, developing stronger policy decision related to production growth like manufacturing and operations will be vital to ensure the well-being of the public, social and economy (Kabir et al., 2020). In short, to support better economic growth, supporting SMEs will be vital as they are employers to at least 50% of workers in Malaysia.

2.3 Unemployment

Finally, one of the most significant impact of COVID-19 during the Movement Control Order in Malaysia is job unemployment (Yong and Sia, 2021; Nga et al., 2021; Wagner et al., 2021; Mustafa et al., 2021). Unemployment defines as people who are unable to find a job. According to Human Resources Minister Datuk Seri M. Saravanan, 99,696 Malaysian have lost their jobs after the Movement Control Order was enacted on 18th March 2020 until 27th November 2020 (Tan et al., 2020). This led to the unemployment rate in Malaysia has recorded the highest rate at 4.55% in 2020 in comparison to Singapore (2.9%) and Taiwan (3.71%) for the past two decades.⁵ According to Nga et al. (2021), significant cost-cutting and hours reduction were implemented across various industries, which led towards a higher rate of unemployment. Furthermore, there were several categories that contributed towards unemployment which were group that did not work or lost their job or earn less because of the pandemic (Wagner et al., 2020). The high unemployment rate in 2020 reflects the negative impact of MCO on the labor market especially traders, freelancers, and farmers that are exposed to the risk of unemployment and affected their income during the period of MCO.

Precautionary measures such as social distancing, awareness programs, testing and quarantine practices, and financial aids were some of very crucial efforts taken by government worldwide. However, the global pandemic has still significantly impacted unemployment rate, gross domestic product (GDP), consumer price index (CPI), foreign exchange rate (FOREX), and stock market index in Malaysia. In this light, unemployment was even forecasted to continue worsen and prolong for 6 months and above (Mustafa et al., 2021; Wagner et al., 2021). Razak (2020) added job losses were associated with not only physical health but also the mental well-being of the employees during the pandemic (Salman et al., 2021). Hence, one of the efforts taken by Islamic Banks were to encourage Islamic Crowdfunding which was a possible solution during the crisis. Crowdfunding is defined as microfinance collaboration of a group of people through the internet. The effectiveness and simplicity of the process creates financial channel that is easy and accessible for customers without any extra cost (Razak et al., 2021).

⁵ <https://www.statista.com/statistics/319019/unemployment-rate-in-malaysia/>

The next section will discuss the proposed methodology to further explore the COVID-19 impact in Malaysia.

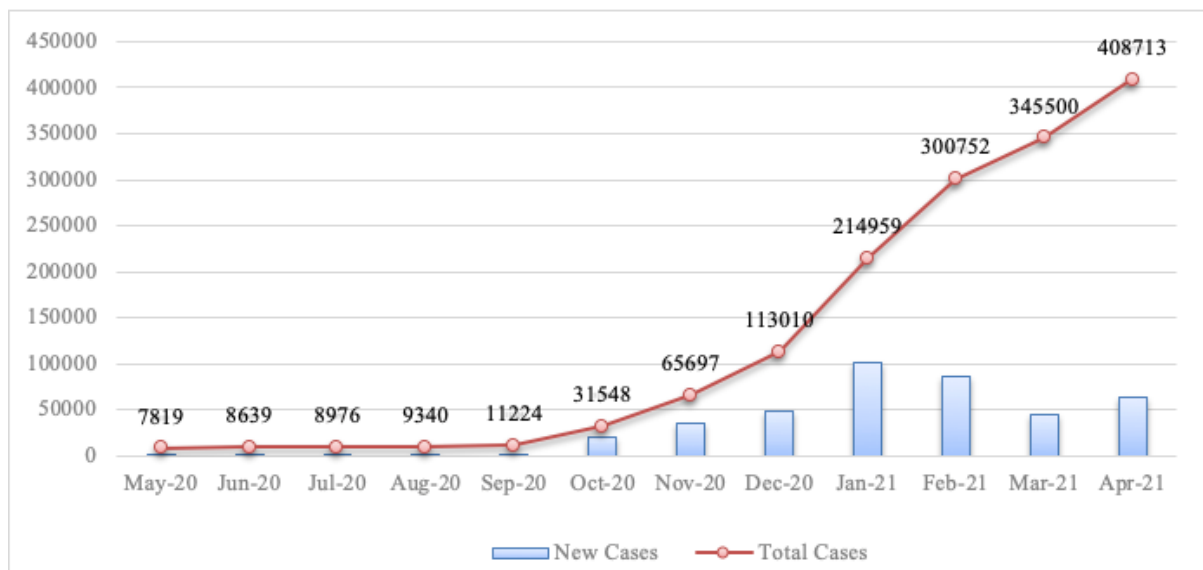
3. PROPOSED METHODOLOGY

3.1 Sample

The sample period of COVID-19 data was collected from 4th May 2020 until 30th April 2021. The reason we choose this period is to see what the impact of coronavirus infections after the Movement Control Order (MCO) 1.0 was ended.

4. CORONAVIRUS (COVID-19) INFECTION IN MALAYSIA

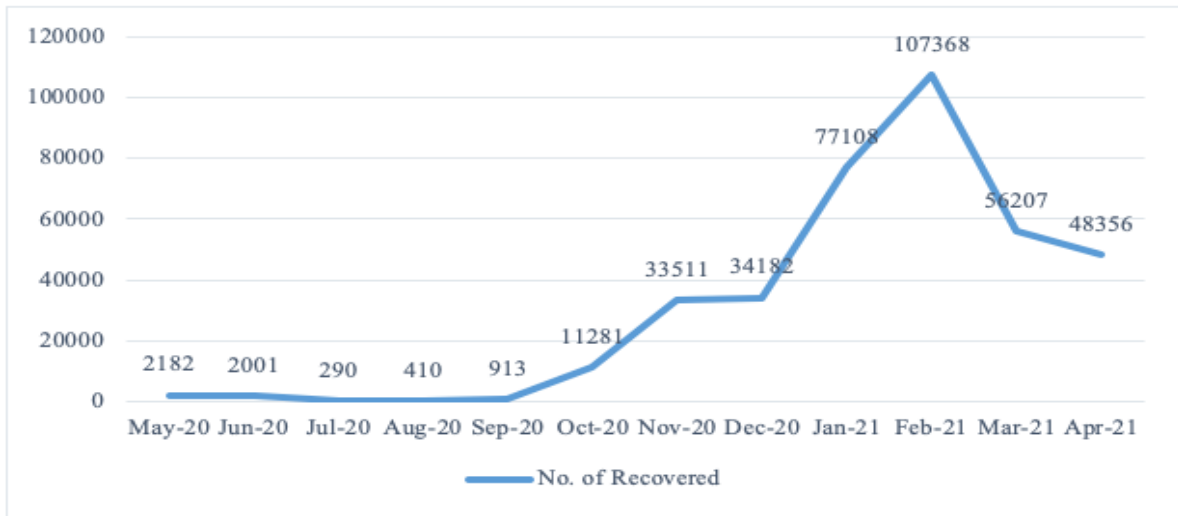
Figure 1 shows the graphical plot on the total number of confirmed cases of COVID-19 in Malaysia from 4th May 2020 until 30th April 2021. From data visualization, the total COVID-19 cases increase at a slow rate from May 2020 until September 2020 which increased 3,405 cases from 7,819 cases to 11,224 cases. This suggests that after the Movement Control Order was implemented between 18th March 2020 - 3rd May 2020, the total number of confirmed cases is slowly under control. Moving to quarter 4, the total number of confirmed cases gradually increase from 31,548 cases to 113,010 cases at the year-end of December 2020. It then continues to increase from Jan to April for the 1st quarter of 2021. This is because the government has relaxed the interstate travel restrictions on 7th December 2020 subject to the states under EMCO.



Source: <https://covid-19.moh.gov.my>

Figure 1: No. of confirmed cases of COVID-19 in Malaysia.

On the other hand, Figure 2 depicts the total number of recovered cases. The line graph shows that there is a total of 2,182 recovered cases in May 2020, 2,001 cases in June 2020, 290 cases in July 2020, 410 cases in August 2020, and 913 cases in September 2020. After the government announced MCO 1.0, the total number of recovered cases started to increase from 11,281 to 107,368 recovered cases between September 2020 and February 2021. While the recovered cases move downward after February 2021 from 10,7368 cases to 56,207 cases and further decrease to 48,356 cases in April 2021.



Source: <https://covid-19.moh.gov.my>

Figure 2: Total number of recovered cases.

5. CONCLUSION

The World Health Organization (WHO) declared the COVID-19 outbreak as a pandemic that had caused more than thousands of deaths all around the world. The outbreak of coronavirus not only threatens the global economy, but has wreaked havoc on businesses such as hospitalities, retail, construction, education, transportation, tourism, employment, entertainment, and food security. To alleviate the COVID-19 outbreak, the Malaysian government imposed a lockdown followed by setting up the standard operating procedures (SOPs). For example, to increase awareness of personal safety protection, people are advised to wear masks and use hand sanitizers (Harun et al. 2020), restriction on massive gatherings (Ahmad, 2020), travel between states (Zulkifly, 2020), self-quarantine for 14-day upon entering Malaysia and social distancing. This can minimize the spread of viruses among people. Last but not least, the COVID-19 pandemic brought a significant economic impact overall and caused a decline in Malaysia's gross domestic product.

REFERENCES

- Ahmad, R. (2020). You're looking at jail time: Gathering for weddings, funerals not allowed. *The Star*. Retrieved from <https://www.thestar.com.my/news/nation/2020/03/17/you039re-looking-at-jail-time-gathering-for-weddings-funerals-not-allowed>.
- Edinur, H. A., & Safuan, S. (2020). Sri Petaling COVID-19 cluster in Malaysia: Challenges and the mitigation strategies. *Acta Biomedica*, 91(4).
- Ganesan., V. (2020). Hotels face RM3.3 billion loss in first half, possibly permanent closure for some. *The Edge Malaysia*. Retrieved from <https://www.theedgemarkets.com/article/hotels-face-rm33-bil-loss-first-half-possibly-permanent-closure-some>.
- Gralinski, L.E., & Menachery, V.D. (2020). Return of the coronavirus: 2019-nCoV. *Viruses* 12(2), 135.

- Harun, H. N., Yusof, T. A., & Solhi, F. (2020). Demand for face masks, hand sanitisers soars. *News Straits Times*. Retrieved from <https://www.nst.com.my/news/nation/2020/01/561250/demand-face-masks-hand-sanitisers-soars>.
- Hasanat, M. W., Hoque, A., Shikha, F. A., Anwar, M., Hamid, A. B. A., & Tat, H. H. (2020). The impact of coronavirus (COVID-19) on e-business in Malaysia. *Asian Journal of Multidisciplinary Studies*, 3(1), 85-90.
- Kabir, S. M. H., Haque, A., Rahman, M. M., & Rahman, Z. S. A. (2020). How to minimize the impact caused by global pandemic in Malaysia. *International Journal of Business and Management*, 4(2), 22-29.
- Khatib, S. F., & Nour, A. N. I. (2021). The impact of corporate governance on firm performance during the COVID-19 pandemic: Evidence from Malaysia. *Journal of Asian Finance, Economics and Business*, 8(2), 0943-0952.
- Mahalingam., E. (2020). Hotel sector hit by COVID-19. *The Star*. Retrieved from <https://www.thestar.com.my/business/business-news/2020/03/26/hotel-sector-hit-by-covid-19>.
- Ministry of Tourism, Arts, and Culture Malaysia (2021). International tourist arrivals to Malaysia plunge 83.4% in 2020. Retrieved from <https://www.tourism.gov.my/media/view/international-tourist-arrivals-to-malaysia-plunge-83-4-in-2020>.
- Mustaffa, A. H., Zainal Abidin, N. B., Ahmad, N., & Ogundare, E. A. (2021). Influence of COVID-19's active cases on Malaysia's key economic performance indicators. *Journal of Emerging Economies & Islamic Research*, 9(1), 68-87.
- Nga, J. L., Ramlan, W. K., & Naim, S. (2021). Covid-19 pandemic and unemployment in Malaysia: A case study from Sabah. *Cosmopolitan Civil Societies: An Interdisciplinary Journal*, 13(2), 73-90.
- OECD (2020). The impact of coronavirus (COVID-19) and the global oil price shock on the fiscal position of oil-exporting developing countries. Working paper available at https://read.oecd-ilibrary.org/view/?ref=136_136801-aw9nps8afk&title=The-impact-of-Coronavirus-COVID-19-and-the-global-oil-price-shock-on-the-fiscal-position-of-oil-exporting-developing-countries.
- Razak, N. (2020). Health and tourism: Implications of COVID-19 pandemic to the Malaysian travel and hospitality industry. *International Journal of Supply Chain Management*, 9(4), 663-670.
- Razak, D. A., Zulmi, S. R., & Dawami, Q. (2021). Customers' perception on Islamic crowdfunding as a possible financial solution for the pandemic Covid 19 Crisis in Malaysia. *Journal of Islamic Finance*, 10, 092-100.
- Salman, A., Kamberkar, U., Jaafar, M., & Mohamad, D. (2021). Empirical analysis of COVID-19 induced socio cognitive factors and its impact on residents of Penang Island. *International Journal of Tourism Cities*, 8(1), 210-222.
- Shah, A. U. M., Safri, S. N. A., Thevadas, R., Noordin, N. K., Abd Rahman, A., Sekawi, Z., Ideris, A., & Sultan, M. T. H. (2020). COVID-19 outbreak in Malaysia: Actions taken by the Malaysian government. *International Journal of Infectious Diseases*, 97, 108-116.
- Tan, T., Martin, C., Hemananthani, S., & Rahimy, R. (2020). Nearly 100,000 Malaysians have lost jobs since start of MCO, say HR ministry. *The Star*. Retrieved from <https://www.thestar.com.my/news/nation/2020/12/09/nearly-100000-malaysians-have-lost-jobs-since-start-of-mco-says-hr-ministry>.

LBIBf (20)2, pp. 98-106.

- Utiti, C., Shah, N. R. N. R., Saari, M. Y., Maji, I. K., & Songsiengchai, P. (2021). Reforming economy in post-COVID-19 periods by improving the inter-linkages between SMEs and large firms. *International Journal of Economics & Management*, 15(2), 205-217.
- Wagner, A. L., Rajamoorthy, Y., & Taib, N. M. (2021). Impact of economic disruptions and disease experiences on COVID-19 vaccination uptake in Asia: A study in Malaysia. *Narra J*, 1(2):e42.
- World Health Organization (2020). Novel coronavirus (2019-nCoV) situation report – 7. Retrieved from <https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200127-sitrep-7-2019--ncov.pdf>.
- Yong, S. S., & Sia, J. K. M. (2021). COVID-19 and social wellbeing in Malaysia: A case study. *Current Psychology*, 1-15.
- Zulkifly, D. (2020). Approved interstate travel applies nationwide, not just for KL, clarifies Ismail Sabri. *Malay Mail*. Retrieved from <https://www.malaymail.com/news/malaysia/2020/05/09/approved-interstate-travel-applies-nationwide-not-just-for-kl-clarifies-ism/1864607>.