The Malaysian Dilemma: Constructing a Sustainable Economy in the Post-COVID-19 Era

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Abstract: COVID-19 outbreak has been articulated as a global public health emergency by the World Health Organization (WHO). The expeditiousness and the repercussion of COVID-19 to the worldwide economy is unprecedented. The crisis is totally unique and abysmal due to its reciprocal effect on the pandemic as it explicitly observes an inversion of capital inflows, creating competitive and comparative financial instability in the commercial and public sectors. The crisis can be evaded if local or international investors effectively evaluate Malaysian's primary macroeconomic and fundamental structural conditions. The essential drivers are innovation and capital, whereby the way to forestall future crisis is to democratize the economy. The authorities may have to accomplish more to secure economic activities recovery, as certain components of the economy, such as manufacturing will see a quicker turnaround in comparison to the tourism and travel industry. This may mean giving further financial assistance, particularly to the most unfortunate 40% of the populace. This pandemic has likewise underscored the requirement for Malaysia to set up a more grounded social security framework that is practical and less divided to improve the welfare system, both during the recuperation and beyond. Such a framework would ensure hedging towards evolving trends of employment and income derivation.

1. Introduction

A time of economic depression pervades across the globe. Metropolitan economies were crushed as businesses imploded, and rural sectors endured as agricultural prices fell markedly. The working classes lost their reserve funds, joblessness rose exponentially leading towards inescapable desperation. The resurgence of COVID-19 flare-up has been articulated as a worldwide wellbeing crisis by the World Health Organization (WHO), to which we need to react quickly. As of 01 January 2021 there has been 81,947,503 confirmed cases of COVID-19, including 1,808,041 mortalities around the world (WHO, 2020). The world struggles, as the thriving human cost increases, drastically plunges, sending the economic system into unparalleled catastrophic dimensions, across the globe.

The expeditiousness and the repercussion of COVID-19 to the worldwide economy is remarkable. This fiscal crisis is totally unique and abysmal due to its reciprocal effect to the pandemic. Economists cannot resolve the downturn while the pandemic presents a clear and present danger to the nation. The pandemic has diminished inventories and disrupted supply chains across the world, unprecedentedly (Veeraraghavan, 2020). Over the more extended horizon, the profound downturns set off by the pandemic are relied upon to leave enduring scars through lower venture, a disintegration of human resources through unemployment and discontinuity of worldwide exchange and supply linkages (ILO, 2020).

The United Nation conjectures that total deficit of income in non-industrial countries are evaluated around USD 220 billion (UNDP, 2020). Sustainability is a watchword that requires immediate remedial attention. The resolution of the economic conundrum is vital in stabilizing the financial system. The languishing economy, dwindling stock exchange, devaluation of the local currency and handling of the economy is essential in confronting any approaching instability in managing the financial conflicts towards creating an equilibrium in the financial framework.

The COVID-19 crisis has brought into effect foundational disparities, for example, access to medical services and green spaces, virtual networks, as well as employment and educational opportunities. These issues, if not appropriately tended to, have huge ramifications on the manageability of assets in our social hierarchical system and extensive society, which organizations depend on for their demand and supply of merchandise and ventures.

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2.Post COVID-19 Crisis

The post COVID-19 economic crisis observes an inversion of capital inflows and this without a doubt creates competitive and comparative instability in the financial and public sectors. Malaysia will attempt to shield its economy from the caprices of flimsy capital movements. This international phenomenon requires a concerted effort and a robust framework in defending the macroeconomic onslaughts. The framework should include fiscal surveillance, augment liquidity, and stabilize exchange rates and short- and medium-term programs which presents an update of the medium-term fiscal strategy. This is to reduce the risk of contagion and ensuring concerted actions to mobilize resources to resolve the crisis. The best practice is to have protections with sound policies and implement measures by appropriate institutions. Curtailing rapid capital outflows might prevent the economy from slipping out of equilibrium.

2.1 Structural Reforms

The viability of strategic policies is imperative in reducing the critical risk factors by fortifying domestic policies and institutional structural foundations in dealing with the economy. The challenges would be the viability of the policies, especially when they are presented during a period of emergency. Whatever strategic policies acquainted need with be upheld by a sound macroeconomic and adequacy of the executions. Strategic policy instruments should be utilized resetting the system under the explicit pandemic conditions. The liberalization benefits relying upon macroeconomic and administrative policies must deal with the risks judiciously. It is imperative to put sound financial practices to set up a strong and vigorous fiscal framework to evade an imminent crisis. Commitment to transparency and accountability will ensure greater benefits in achieving the intended objectives.

When a sound strategic policy is determined, it should be soundly underpinned by macroeconomic strategies and powerful financial frameworks. The crisis can be evaded if local or international investors effectively evaluate Malaysian's primary macroeconomic and structural conditions. A universally organized methodology will be fundamental to regulate and manage FDI and profoundly leveraged institutions.

2.2 Macroeconomic Policies

In order to prevent the crisis from becoming unnecessarily severe and to limit the contagion, it is essential to bail financial institutions as the financial sector can create moral hazard in the economy. An essential strategic threat needed not only to limit the moral hazard but also function as a floodgate that helps to stop the sharp decline and for the government to place a credible crisis management strategy. More supportive macroeconomic policies and institutions with low degree of corruption and enforcement capacity would enable reduction in external exposures. Prudential regulations need to be introduced to have positive and incremental effects on the soundness of economic system.

In light of a developing economic compression, the government need to embrace a far reaching system of rebuilding exercises in fortifying different economic areas. Transient financing is vital in confining and transforming different economic sectors. While much spotlight has been put on the financial changes, enhancements in public approach and institutional structures is significant in affecting the general economy. Regarding economic rationale, enhanced recuperation from the crisis is essential for the business sectors to decrease speculative and simultaneously permitting government to seek autonomous approaches. Be that as it may, multifaceted nature and refinement of the COVID-19 crisis, unavoidably, there is huge disarray about what approaches is precluded and permitted. The conventional wisdom among economists is that policies are often incapable and regularly counterproductive. In this manner, the government need to intently screen the economic activities to guarantee authorization of guidelines in accomplishing the goals of overcoming the crisis.

2.3 Economic Drivers

The essential drivers are innovation and capital, whereby the way to forestall future crisis is to democratize the economy. Augmentation of utilization of sound data to al larger section of society is the way forward in solving the economic woes. Complete data should be accessible to all and simply to the elite. Furthermore, the people should have the option to get rudimentary guidance from reliable sources. The public authority needs to finance and provide guidance to the population by upgrading the data framework to improve the exposure of data that is applicable to individuals.

Prior to the pandemic, the economy utilized existing or customary value chain resources to offer their products yet the new standard, post pandemic will see the reverse, in line with customer value. The new era will offer competitive and comparative innovative items to the market. Innovative change is frequently started by the organizations to design new items or create novel business sectors to manage future changes. Without continually foreseeing future changes, industry competitiveness could suffer. Marketing systems should be updated to reposition the organizational gaps and that requires strategic policies to achieve sustainable competitive advantage.

Therefore, firms should devote the resources by applying combination of offensive and defensive strategies. The offensive strategy deals with attracting new customers while defensive strategy involves trying to keep the existing customers. Changes will profoundly affect the organizations' capacity to create value. The progressions causes a critical commitment if consumers lean toward the incentives from these organizations. The world economy is confronting revolutionary changes and consumers are moving away from pre pandemic attitudes. Subsequently firms ought to practice offensive and defensive strategies in order to maintain and attract new markets. Different clusters of the population might be financially and socially dependent on the government Furthermore, with limited access to viable and significant data, training and development of human capital assumes a significant part of the recovery plan.

3. Post-Pandemic Employment Market

The scale of human suffering is immense, with workers being laid off and reductions in wages has led to declines in living standards. In addition, high morbidity and mortality among all communities is another consequence of the pandemic. Wellbeing circumstances are still prone to be instability and certainty should be created by the distribution of a sound fiscal stimulus package to facilitate a swift recovery, specifically in reviving the employment and youth markets.

The number of jobs in the private sector fell by 181,000 to 8.47 million jobs in the third quarter of this year compared to 8.65 million in the same period last year (Pfordten, 2020). Meanwhile, the number of unemployed persons in Malaysia which stood at 511,700 in January when the first Covid-19 cases surfaced ballooned to 826,100 in May, before falling to 737,500 in September (Pfordten, 2020). To assist new jobseekers and the unemployed, the government has introduced a slew of initiatives and measures which includes those in Budget 2021. A central issue for some, is whether their present positions could be sustainable into the future in the midst of the effect of COVID-19. "The Future of Jobs Report 2020" by The World Economic Forum (WEF) indicates that the pandemic isn't the solitary issue but the labour market is being disrupted by automation and greater adoption of technology (WEF, 2020). That means that some jobs that have been lost will never come back, and those that do will require new ways of working and new skills, jobs and skills will be transformed by 2025 due to greater technological adoption by companies. The report shows that 86% of Malaysian businesses surveyed indicated that they are set to hire new permanent staff with skills relevant to new technologies (Pfordten, 2020). In terms of reskilling and up skilling, Malaysian companies said that their number one focus was training workers to develop better analytical thinking and innovative skills. Subsequently individuals who are the most vulnerable are the 50 something cluster which are not tech savvy and represents a critical retrenchment hazard.

3.1 Economic Opportunities

New plans of action should be made with numerous business openings and along these lines, organizations need skills and capacities to decide on the best essential choices along with a high level of inspiration to guarantee the achievement of economic growth. The contribution of SMEs towards the economy should be re-planned as they are fundamentally significant economic drivers towards the social advancement of the marginalised segments. Moreover SMEs encourage financial development, social dependability and add to the improvement of a dynamic private sector.

Regardless of billions of assets in financial and financial stimulus, consumer sentiment remains significantly low with income per capita experiencing severe contraction. Indeed, even with an inauspicious economy the local stock exchange has bounced back however, it is not known if the market can exhibit strong and sustainable recuperation. Past downturns and recuperation have followed U, V, W, Z, L, J, Swoosh and Inverted square root shaped recoveries. Thus, the shape of economic recovery is determined by both the speed and direction of GDP. This depends on multiple factors including fiscal and monetary measures, consumer incomes and sentiment. With the virus having a mind of its own, and many unknowns on the horizon, a question mark may well be the best way to describe the shape of the economic recovery today.

3.2 Economic Outlook

According to the International Monetary Fund (IMF), in 2021 global growth is projected at 5.4 percent. Overall, this would leave 2021 GDP some 6½ percentage points lower than in the pre-COVID-19 projections of January 2020 (IMF, 2020). The adverse impact on low-income households is particularly acute, imperilling the significant progress made in reducing extreme poverty in the world since the 1990s. In addition, debt to global GDP ratio will reach 365% as significant increase in borrowings by countries, businesses and individuals. Many governments have assisted the citizens and business communities by providing financial support. These assistance need to continue to withstand deepening economic crisis. Among developing economies, Lebanon, China, Malaysia and Turkey have seen the biggest increase in the non-financial sector debt ratios in 2020 (Campos, 2020).

The pandemic has been a catastrophe for humanity but it has had some unintended important consequences as the ways and habits have changed, especially the digital networks. Virtual interactive sessions has transformed physical learning, transaction systems, and the use of artificial intelligence and machine learning. Hence, there are opportunities to apply data science and AI as consumer behaviour and attitudes are transforming towards the new normal.

4. Conclusions

The government should focus on economic recovery and priorities are to ensure continuation of essential containment measures and support for health systems towards a resurgent economic recovery. Therefore, funding the health system and empowering the front liners should be highlighted and prioritised, reducing disruption to supply chains. Central banks should play an important role by reducing the stress in the financial system in order to avoid financial contagion. Broader range of liquidity need to be set aside to uplift the confidence which is crucial for future growth. Specific measures to stabilize the economy and boosting aggregate demand through coordinated fiscal stimulus is highly essential, where inflation remains low, a well anchored monetary policy should remain accommodative.

The impact of covid19 on Malaysian GDP will remain challenging in the year 2021 and this is mainly due to micro and macro pressures on the economy. The GDP is predicted to contract by 1% to 2% and the impact might also be seen beyond 2021 as ASEAN neighbours recover at a much slower pace. The impact on the tourism industry could be similar to the manufacturing, services and construction sectors as massive global layoffs looms, impacting consumer demand and sentiment. The recovery will mainly be contingent upon the fundamental economic structure influenced by the public and private sectors respectively. The ability of the government to defend itself from a liquidity crisis is key to its recovery.

Numerous conventional and recently utilized business models will be obsolete. The essential drivers are those that will decide how the economy will be reshaped. Government versatility, knowledge management, hazard-based market and administrative resets are the primary post pandemic paradigm towards recovery. The current crisis supersedes the Asian financial calamity and the global financial catastrophe respectively. Nonetheless, upon cessation of the pandemic, Malaysia needs to reset its economic fundamentals to evade the overwhelming repercussion. Malaysian policymakers need to Reset, Restructure and Restrategize (3R) the economy, to avoid another Malaysian dilemma.

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