



Impact of Pandemic (Covid-19) on Malaysian Major Industries Affecting the Logistics Sector

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Covid-19 Tragedy in Malaysia

First outbreak
Travelers from China
arriving via Singapore
Preparations to
stockpile equipment,
detect and monitor
cases.

25 January

Launched Movement
Control Order
(MCO).

18-31 March

Extended the lockdown
as WHO projected the
number of cases in
Malaysia is expected to
peak in mid-April.

15 – 28 April

4 May - Ease the
lockdown by allowing
businesses to open
7 May –
6506 confirmed cases,
1584 active cases, 4850
recoveries (73.9%)
107 deaths (1.66%).

4-5 May

1-17 March

Early Mar -30 cases
End Mar – over 2000
cases.
The largest cluster
from religious
gathering in Kuala
Lumpur.

1-14 April

MCO was extended as
rate of new cases per
day remaining
consistently high.

29 Apr -3 May

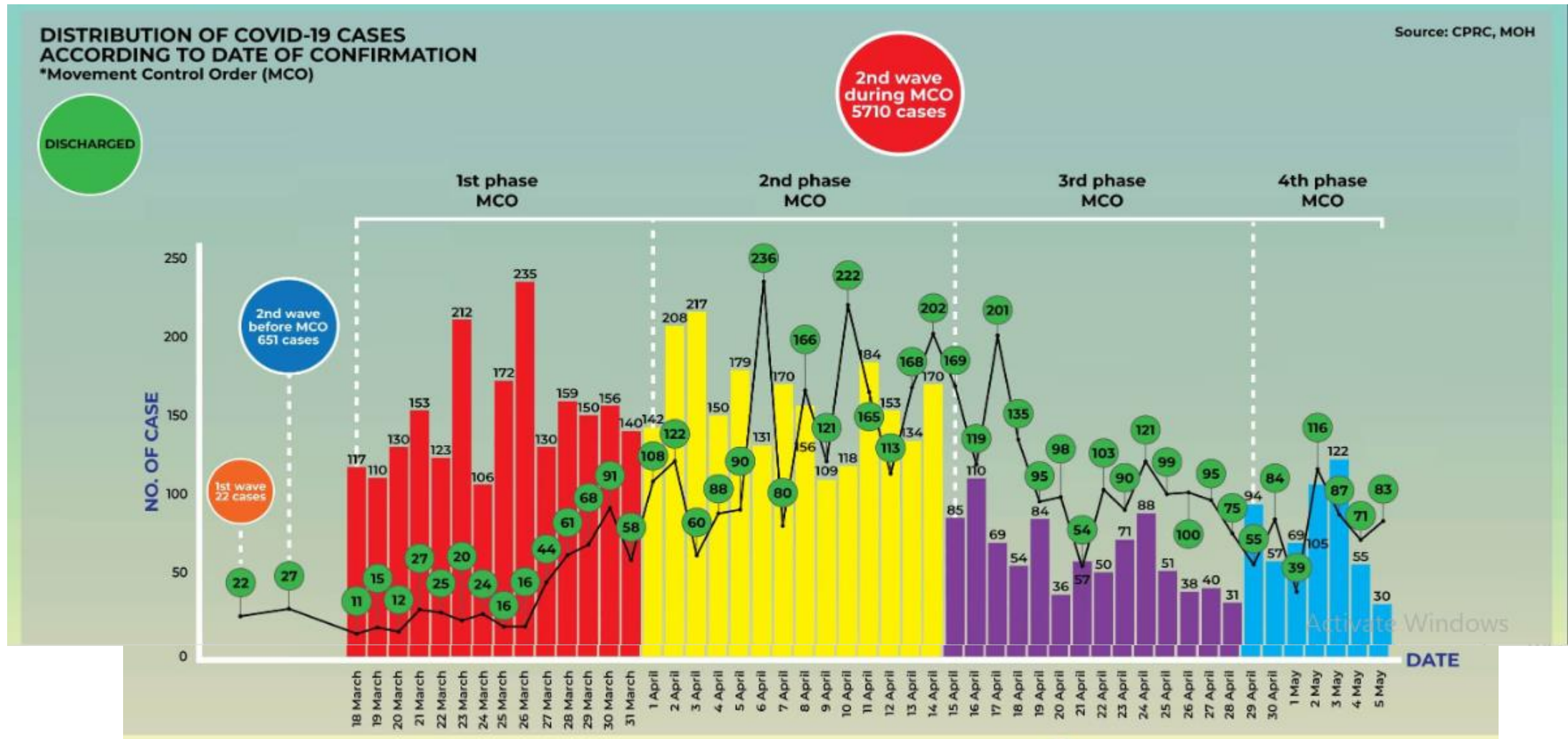
MCO was announced
to be extended until
12 April

6-12 May

Continue MCO
as announced
earlier



Distribution of Covid-19 Cases According to Date of Confirmation



MCO is proving to be effective. With recovery numbers of 73.9% and number of cases lower than the initial projected, Malaysia is handling the situation well.

Movement Control Order (MCO)

Aims to control the movement of people in order to reduce infection through personal contact through 3 main actions:

2

Travel ban

3

Restriction of movement within the country

1

Shutting down government and private premises.



MCO: Shutting down government and private premises

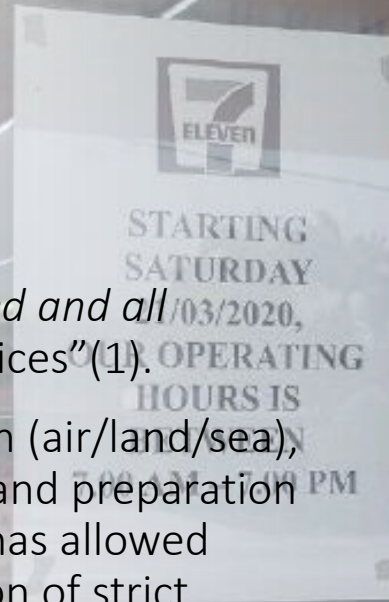
As at 18 March 2020, all government and private premises are to be closed and all operations are to cease, except for those that come under “essential services”(1).

Essential services include amongst others banking services, transportation (air/land/sea), telecommunications services, electricity and water services, food supply and preparation services, and e-commerce. During Phase 3 of the MCO, the government has allowed several additional economic sectors to resume operations on the condition of strict adherence to health and safety guidelines.

These sectors include:

- the automotive industry (limited to exports of Complete Build Up (CBU), parts and components, and after-sale services);
- machinery and equipment industries;
- the aerospace industry;
- and certain construction projects and services (Federal Government Gazette, 2020)

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The background of the slide features a photograph of an airport tarmac. In the foreground, the silhouettes of two people are visible against a bright, hazy sky. One person is standing and looking towards the right, while the other is walking away from the camera, pulling a large black suitcase. The ground is reflective, showing the silhouettes of the people and the suitcase. In the background, the tail section of an airplane is visible, along with some airport infrastructure.

MCO: Travel ban

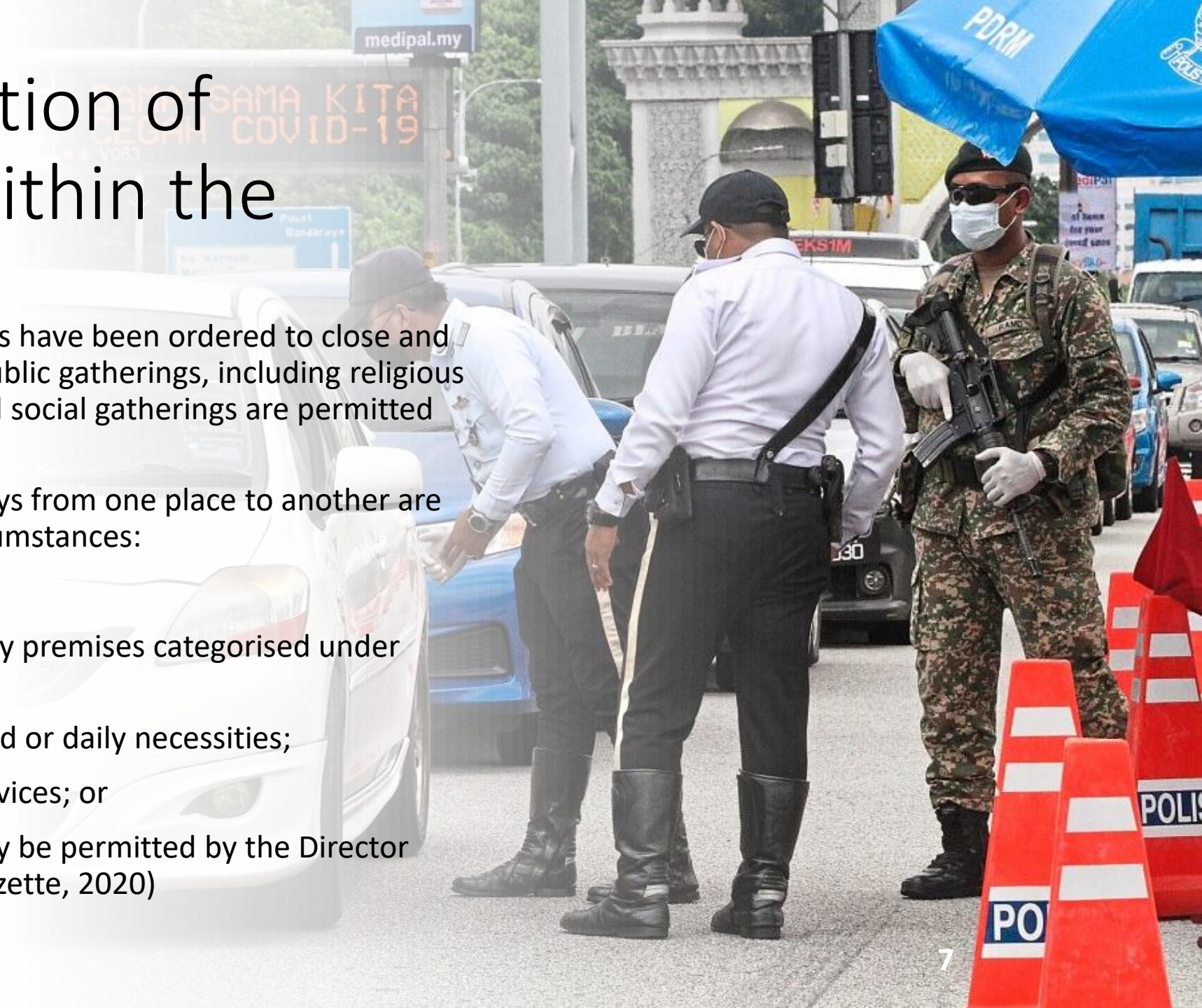
- Malaysians are not permitted to leave and non-citizens are not allowed to enter the country. Malaysia overseas may return, provided they undergo medical examinations upon their arrival and subject themselves to a 14-day quarantine.
- For non-citizens wanting to enter Malaysia, only those with diplomatic status, permanent residents and expatriates with working visas involved in essential services will be permitted to do so on a case-by-case basis and will also be subject to a 14-day quarantine upon entry.
- No land travel is permitted, except for those transporting essential goods and food. Ports will continue operations, except for those managing cruise ships. Domestic and international air travel will continue during this period subject to the travel bans in place. The operations of local and international cargo companies which involve scheduled and non-scheduled cargo movements are also permitted (Federal Government Gazette, 2020)

MCO: Restriction of movement within the country

All government and private premises have been ordered to close and cease operations temporarily. No public gatherings, including religious meetings, recreational activities and social gatherings are permitted throughout this period.

The MCO has stipulated that journeys from one place to another are permitted only in the following circumstances:

- to perform any official duty;
- to make a journey to and from any premises categorised under “essential services”;
- to purchase, supply or deliver food or daily necessities;
- to seek healthcare or medical services; or
- any other special purposes as may be permitted by the Director General (Federal Government Gazette, 2020)

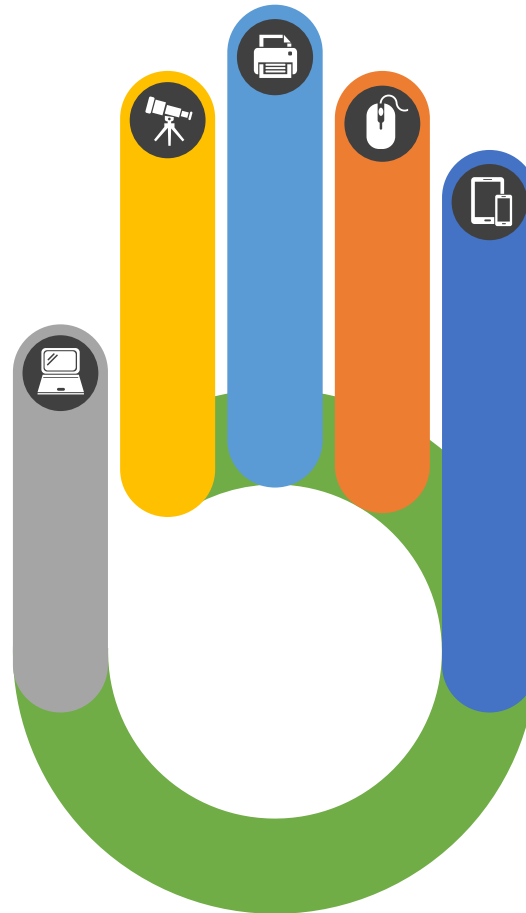


The Aftermath of Covid-19

Malaysia is enduring its worst economic recession in its history just as other developed nations are facing deep downturns due to Covid-19 pandemic and MCO.



The economic recession has impacted the nation's income, with the country losing RM2.4 billion (USD553.3 million) daily.



The country economic growth to be between -0.2% and 0.5% in 2020 from 4.3% in 2019 within 5 weeks of MCO. GDP is expected to decline between 3-4%. (Malaysia Investment Development Authority (MIDA) e-Newsletter, 2020)



Industrial output is estimated to reduce between 40% and 70% during MCO and projected negative growth of -8.6% of the manufacturing sector (MIDA e-Newsletter, 2020).



Unemployment rate, which stood at 3.3% in 2019, is expected to hit 4.0% this year, higher than during the Global Financial Crisis (GFC) in 2009 and Asian Financial Crisis 1998 at 3.7% and 3.2% respectively



- ✓ The closure of several roads and the implementation of safety standard operating procedures (SOP) is impacting the last mile delivery.
- ✓ Increase inventories – leading to obsolescent inventories as manufacturing companies are expected to have more stock due to reduction in demand
- ✓ Some of these procedures include split work arrangements or operating only on certain days, and carrying out routine disinfection





Impact on Airlines Industry

- The airline sector is among the worst hit industries, which has grounded most part by travel bans imposed to curb the spread of the virus.
- Malaysia Airlines Bhd suspending 4000 flights as of 18th March 2020. For the first time in its history – no interstate operations in Peninsular Malaysia due to poor load factor making it “not economically viable to operate. (Malaysian Reserve, 2020).
- As the supply of international flights has dropped, this has impacted air freight as passenger flights also use their passenger cabin for parcel shipments to replace the losing in number of passengers. As the airfreight now outstripping supply, rates significantly increase between 2 and 10 times higher depending on the type of airfreight.
- Delays could possibly double delivery times. This led to many looking to alternative modes of transportation during these uncertain times such as sea freight and cross-border trucking.
- With air freight deliveries from China to Southeast Asia having higher chances of getting delayed, shipping eCommerce parcels via sea freight is a much cheaper and potentially faster method (Janio Asia’s Logistics Simplified, 2020).

Impact on Oil and Gas Industry

- The oil and gas industry is expected to record at least 5.0 per cent demand reduction for oil and gas this year following the tragedy of Covid-19.
- The oil prices have fallen to as low as US\$23 (RM99.13) per barrel — the lowest since 2002 — on weak demand due to work and travel restrictions globally.
- The oil industry was facing a historic crisis that will reverberate across countries and supply chain, with lower fiscal revenues and investment cuts (IDEAS, 2020) .
- On average, Malaysia is expected to lose US\$1.7 billion annually in new capital investment and reduced fiscal revenue from O&G by US\$7.1 billion, and this will put further pressure on the country's finances (IDEAS, 2020)
- In the short run, the oil sector will suffer from a drastic demand decline due to Covid-19 as 57 per cent of all oil demand is used for transportation as lockdown measures have put mobility grinding to a halt (Malay Mail, 2020)
- The volatility of global crude oil prices and the supply of commodities sector will continue to be disrupted.





Impact on Healthcare Industry

- Some sectors are benefitting from the virus outbreak. The Malaysian Rubber Glove Manufacturers Association expects global glove demand to surge by 20% to 25% in the interim.
- Top Glove Corp Bhd, the world's largest rubber glove manufacturer emphasised sales volume doubling since February this year.
- However, the private healthcare sector as a whole anticipates a contraction in earnings in 2020 in light of the Covid-19 pandemic, which will significantly impact in the short term due to affected income of both the employees and employers. However, they expected recovery in 2021,
- For example, both KPJ Healthcare Bhd's and IHH Healthcare Bhd's earnings will drop by 7% and 13% in its financial year 2020, but recovery in 2021 is expected with an 11% and 45% growth in earnings (Malaysian Reserve, 2020)





Impact on the Automotive Industry

- Vehicle sales volume fell almost 60% to 22,478 units in March 2020 from 54,776 units in the same period last year.
- Industry players generally said over 4,000 used/re-conditioned car dealers and importers could also be drowned in red ink due to almost-zero sales, higher inventories and weaker consumer sentiments amid high fixed operational cost.
- Dealers can only endure up to two months of the challenging period without sales, while continuing to fork out an average RM150 million in operational expenditure monthly to pay for salaries, utilities and rentals.
- Market observers claimed the local car industry was on the edge of bankruptcy due to temporary closures of automotive plants and car dealerships, since the government enacted the Movement Control Order (MCO)



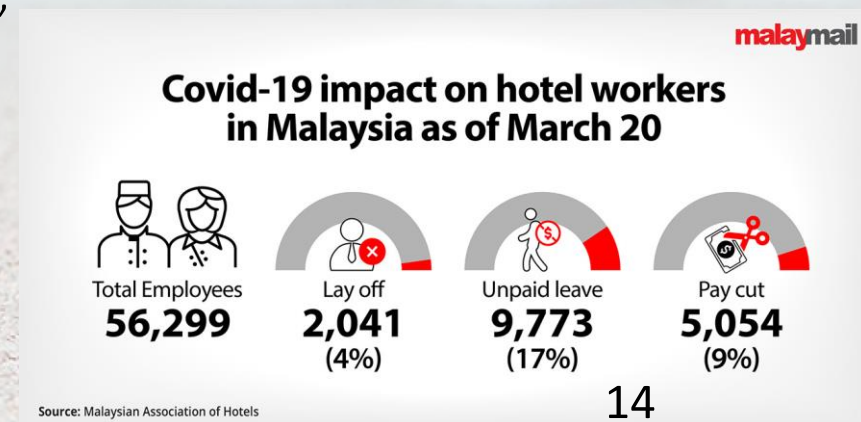
Impact on the Hotel Industry

Recent survey by the Malaysian Association of Hotels (MAH) reveals that 50% of those surveyed would close their hotels with 15% considering stopping for good and 35% temporarily.

MAH projected that after the 6 weeks of the MCO, the industry room's revenue losses for 2020 will come to RM6.36 billion (USD1.47 billion) (Edge Malaysia, 2020).

MAH also projected that the average occupancy in 2020 to be at historical low of 25.41%.

170,085 cancellations of hotel room bookings valued at RM68 million (USD15.7 million) as of Mar 16.



Impact on Courier Industry/e-Commerce

- The e-commerce segment is one of the more thriving businesses during this pandemic as more people switch to online purchasing.
- The Malaysia Post handles 730,000 parcels per day as the demand increases by 108% during the MCO period as compared to only 350,000 per day in normal capacity (Harian Metro, 2020).





COVID-19 Malaysia

Partial Lockdown Vs. Small Biz



01

Food and Beverages



02

Retail sector

14 May 2020



Impact from lockdown

- ✓ Shopping malls are suffering during the MCO period.
- ✓ Even though the logistics companies in the food and beverages are essential services, but their business dropped by 50% due to inability to deliver to shopping malls and those areas under Enhanced Movement Control Order (EMCO).
- ✓ The retail landscape is expected to be different even after the MCO is lifted. Their prospects will remain very challenging due to smaller crowds and fewer tenants and guests.

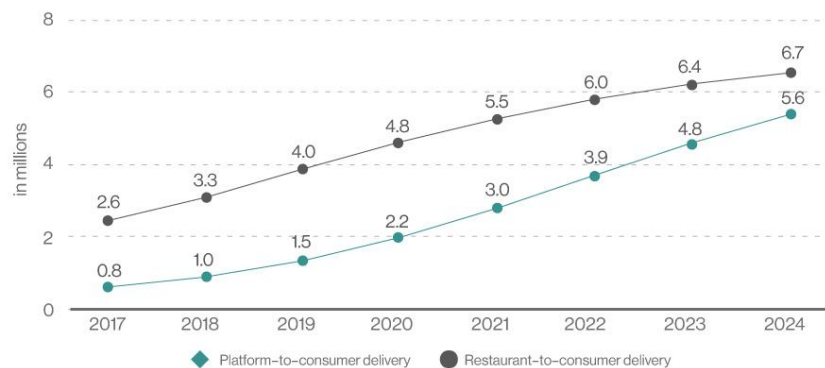




Impact on Food Delivery

- Food delivery has seen an exponential increase in demand all across the ASEAN region including Malaysia following the Covid-19 movement control order imposed by the government with some recording more than a 30% jump in orders at the initial phase MCO.
- DeliverEat.my, established in 2012 saw restaurant requests rise by 300%.
- GrabFood and Foodpanda have both pledged to step up precautionary measures to help contain the spread of the coronavirus. One of which is to allow riders to drop off food without making contact with the customer – riders are usually required to make contact with the customer in order to ensure that no one has tampered with the food. (The ASEAN Post, 2020).

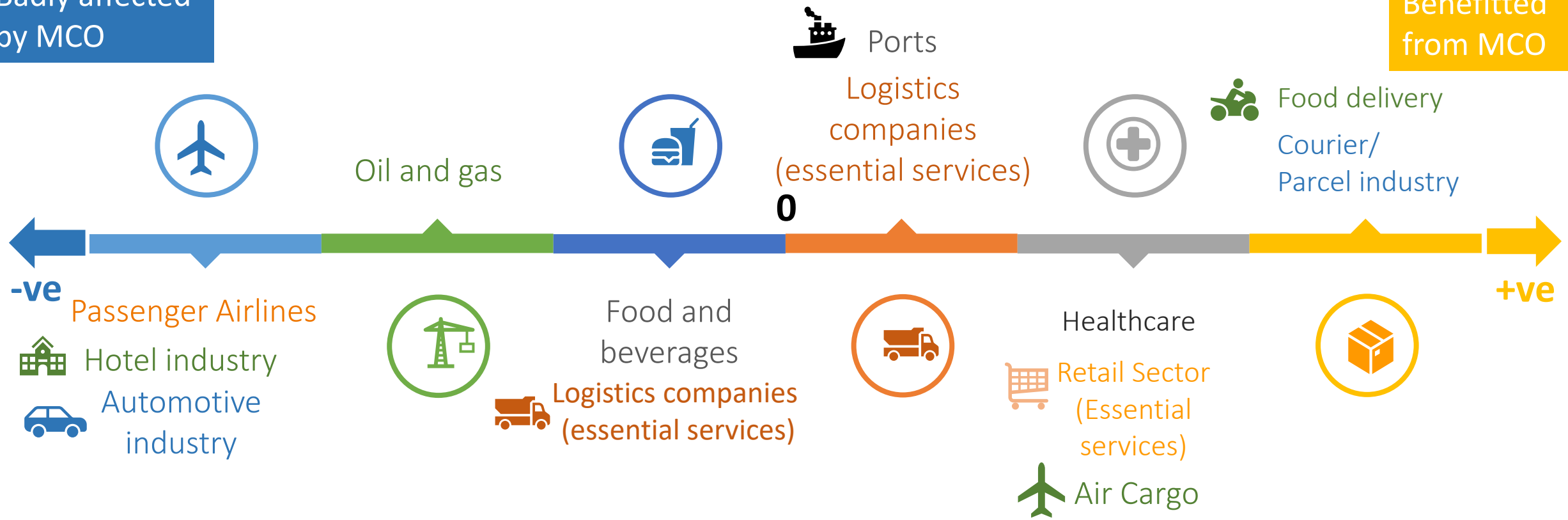
FOOD DELIVERY IN MALAYSIA: PROJECTED USER GROWTH



Major Industries Affected by MCO

Badly affected
by MCO

Benefitted
from MCO



Current Recovery Measures

Trade

Port Klang Authority signed a joint declaration with 19 international port authorities to keep their ports open to seaborne trade amidst restrictions and challenges caused by the Covid-19 pandemic. The declaration was a pledge by 20 members of the Port Authorities Roundtable (PAR) comprising leading ports such as Abu Dhabi, Antwerp, Tokyo, Busan, Guangzhou, Hamburg, Singapore, Montreal, Yokohama and Shanghai.



Congestions at the country major ports following the Movement Control Order (MCO) have been relieved through several dismissal phases.

Logistics and transportation of essential goods operators that have approval from the Ministry of International Trade and Industry to operate during MCO can operate at full capacity after 2 weeks of MCO.

Developing resilience through RM250 billion (USD57.6 billion) PRIHATIN economic stimulus package



Recovery Projections

Economic Impact



Economy recovery by end 2021 (Knight Frank, 2020)



GDP to grow at a rate of 9% in 2021, a sharp increase from expected 1.7% contraction in 2020. (MIDA e-Newsletter, 2020)



The recovery will depend on how fast Malaysia can manage this pandemic situation (NST, 2020)



Without the economic Stimulus Package, the decline of the GDP would be more pronounced. The package can generate up to 2.8% to the country's GDP (NST, 2020).



The World Bank expects Malaysia's economy to expand between 4.1% and 6.4% next year (Knight Frank, 2020)



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*Thank
you*



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