Chapter 3

Malaysia

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July 2023

This chapter should be cited as
3.1. Introduction

Examining the reliance of Malaysia’s economy on the freight logistics, transport, and e-commerce sectors, it was certain that the COVID-19 pandemic would have significant impacts on individuals and organisations. This chapter investigates these impacts as well as the economic stimulus packages that were introduced to ensure the sustainability of business sectors.

3.2. COVID-19 in Malaysia

The first case of COVID-19 in Malaysia was reported on 25 January 2020, involving three Chinese nationals who had been at a conference in Singapore and then travelled to Malaysia (New Straits Times, 2020). This report was followed by the first Malaysian to test positive on 3 February 2020 (Bernama, 2020). By the end of December 2020, Malaysia recorded 2,525 new cases, totalling 113,010 cases overall (Abdullah, 2020).

By mid-March 2020, the Government of Malaysia decided to close all borders and to institute a nationwide lockdown under which only essential services were allowed to operate. From this time, Malaysia’s economy has undergone a downturn, with many losing their jobs and livelihoods. Many businesses began to close, as they were unable to sustain operations without any capital during the lockdown period. It has been reported that Malaysia was initially hit by two waves of COVID-19; under the first phase (25 January to 15 February 2020), no deaths were reported (Hashim et al., 2021). The second wave (from 27 February 2020) involved a large cluster in Sri Petaling, which registered a total of 34 deaths (Malaysia Kini, 2021).

On 16 March 2020, a movement control order (MCO) was announced by the Prime Minister following increased COVID-19 cases. Under the MCO, six main regulations were enforced: (i) prohibition of any mass gatherings, (ii) prohibition of Malaysians from going abroad, (iii) prohibition of movement of foreigners into Malaysia, (iv) closure of all schools, (v) closure of higher educational institutions and skills development centres, and (vi) closure of all government and private premises except for those involved in essential services. The first phase of the MCO was initially until 30 March 2020 but was extended several times until 12 May 2020. To strike the balance between public health concerns and economic needs, on 1 May 2020, the Prime Minister announced a conditional MCO, which allowed
most economic sectors to begin operations, subject to strict standard operating procedures. However, businesses and other recreational activities that involved mass gatherings were not allowed.

Following this, a recovery MCO was introduced due to a lower number of daily cases. It was supposed to take place from 10 June 2020 until the end of August 2020. During this phase, most activities and business operations were allowed but had to adhere to strict standard operating procedures, including maintaining a physical distance of 1 metre, wearing a mask in close public premises, and temperature monitoring before entering any premises. Personal details, such as names and contact numbers, were also recorded via MySejahtera, an app developed by the government to help authorities conduct contact tracing in the event of a new COVID-19 case.

During this period, many people opted to work from home. Many also turned to shopping online to avoid crowded supermarkets and shops. This brought new opportunities for businesses that had not previously had an online presence to set up on online platforms such as Shoppe, Lazada, or their own websites. Moreover, to prevent the spread of the disease, the Ministry of Health began enforcing health screening at all points of entry to the country. Malaysians returning from Wuhan were identified, screened, and isolated at designated quarantine stations. This also applied to Ministry of Health staff and airline crews.

### 3.3. Pre-Pandemic Sector Assessments

#### 3.3.1. Freight Logistics

In this review, the focus is on freight carried via sea. Logistics is a vital industry in Malaysia, as it is trade-dependent, and its economy relies on large volumes of trade to be brought in, especially from Asia (Mordor Intelligence, 2020). Thus, Malaysia’s logistics industry needs to increase its workforce by 41% to 554,000 workers by 2022 (MATRADE, 2020).

In Malaysia, there are 11 main ports: Bintulu, Johor, Klang, Kuantan, Kuching, Miri, Penang, Rajang, Sabah, Tanjung Bruas, and Tanjung Pelepas. Low docking costs add to the strategic geographical location, making Malaysia a good hub for freight logistics. Because Malaysia is only segregated into two major parts (i.e. Peninsular Malaysia and East Malaysia) and does not have topological challenges like other South-East Asian players, freight logistics are easier and more cost-effective there. China is Malaysia’s closest trading partner; the country’s exports to China contribute 14.2% to total exports (Government of Malaysia, Prime Minister’s Office, 2020a).

#### 3.3.2. Public Transport

The pandemic has had a significant impact on livelihoods of communities in Asia – including Malaysia – that have had to live without public transport methods (UNCRD, 2020). Bus, flight, rail, and ferry services were first restricted in China on 23 January 2020, and this move was followed by similar moves
in other countries, including Malaysia (UNCRD, 2020). With China being the second contributor, after Singapore, towards Malaysia’s tourism industry, the pandemic also crippled the tourism industry of Malaysia due to the lack of transport (Government of Malaysia, Prime Minister’s Office, 2020a).

3.3.3. E-Commerce

Some of the most popular e-business sites in Malaysia are Lazada, Mudah, Shopee, and Zalora. Shopee and Lazada were the most visited online platforms in 2019 and 2020. Monthly web visits exploded for Shopee from 2019 to 2020 and increased marginally for Lazada (Figure 3.1).

![Figure 3.1: Top E-Commerce Platforms in Malaysia, 2019–2020](https://iprice.my/insights/mapofecommerce/en/)

As of January 2019, Malaysia boasted 16.53 million online shoppers, 50% of the population. This was due to the internet and mobile connectivity as well as a push by the government (Government of the US, ITA, 2020). Malaysians prefer to shop online because of the ease of doing so compared to going to a physical store. In addition, the frequent deals, free shipping, promotions, and reviews further encourage buyers to choose online purchasing. The preferred mode of payment is through online money transfer, and more than 95% of Malaysians were satisfied with their online shopping experiences (ASEAN Up, 2019). As of January 2019, 75% of the population had purchased a product or service online (Government of the US, ITA, 2020). The top three most purchased products were fashion and beauty, electronic, and sport and hobby items (ASEAN Up, 2019).

3.3. Pandemic Sector Assessments

3.3.1. Freight Logistics

Due to the pandemic and movement restrictions, many containers have been left at ports much longer than usual. Moreover, a workforce shortage, disrupted shipping schedules, and decreased shipping
capacity have severely affected the turnaround of freight logistics (Leng, 2021). Once goods are listed as non-essential, they are barred from delivery, incurring demurrage charges and adding to the final delivery cost of the goods (Wing et al., 2020).

In 2020, many ports saw a decrease in the number of containers being imported and exported (Figure 3.2). Due to the MCO, many containers and freight were not allowed to move, especially those that carried non-essential goods. The goods that were imported were mostly face masks, supplements, and canned goods. It has been noted that shipping companies suffered an average of RM15 million to RM30 million losses in revenue during the MCO (Menhat et al., 2021).

![Figure 3.2: Containers in Malaysia’s Ports, 2020 (number)](image)

Source: Ministry of Transport Malaysia.

### 3.4.2. Transport

On the first day of the MCO on 18 March 2020, Malaysia Airlines reported that it had cancelled 4,000 flights. Many other countries were also instituting lockdowns, leading to a decrease in the supply of international flights as well (Yusof, 2020). Malaysia’s major airlines – AirAsia, Malaysia Airlines, and Malindo Air – initiated salary cuts and unpaid leave to its employees (Foo et al., 2020). The number of aircraft that was handled in Peninsular Malaysia dropped to 239,617 in 2020 as compared to 677,567 in 2019. The overall number of aircraft handled in all of Malaysia in 2020 was 370,187, a decrease of 61.10% from the previous year.
As for the number of passengers in Malaysia, only 26,785,925 passengers were handled in 2020 compared to a total of 109,363,076 passengers in 2019 (Figure 3.4). The reduction of 75.51% was caused by the MCO.

In April 2020, the Express Rail Link suspended its services due to low ridership, as all flights had been halted (Bernama, 2020). Indeed, Figure 3.5 shows that due to the pandemic, there was a 50% reduction in the ridership of rail transport nationwide. In 2019, there were 245,238,163 rides made, while in 2020, there were only 122,912,701, a reduction of 49.88% (Government of Malaysia, MOT, 2021). Amongst all rail lines, the KLIA Ekspres and KLIA Transit were affected the most. The KLIA Ekspres – between the airport and city centre – had ridership of 2,156,302 in 2019, falling to 388,949 or 81.96% of its past total in 2020 (Government of Malaysia, MOT, 2021). As for KLIA Transit, in 2020, the total number of rides totalled 2,189,136, falling 67.78% from 2019’s 6,788,122 (Government of Malaysia, MOT, 2021) (Figure 3.5). This rail service is served by six stations between KLIA2 and KL Sentral. Therefore, people who work on or near these routes still used the KLIA Transit.
Figure 3.5: Rail Passengers, 2020 (number)

Source: Ministry of Transport Malaysia.

Keretapi Tanah Melayu (KTM) is the first and oldest train service in Malaysia, providing intercity and interstate transit. In 2019, the ridership on KTM was 3,746,000; in 2020, this figure dropped to 1,041,000. KTM Commuter Services for intercity connectivity saw a drop of 61.2% in ridership in 2020 from 2019, while the KTM Electric Train Service – the interstate train service – recorded a 2,255,000 drop in ridership from 2019 (Figure 3.6).

Figure 3.6: Passengers on KTM Trains (number)

Source: Ministry of Transport Malaysia.

As of November 2020, Rapid KL terminated 13 bus routes in the Klang Valley in a bid to cut costs, citing low ridership (Free Malaysia Today, 2020b).
3.4.3. E-Commerce

In 2019, the income of e-commerce rose 22.8% to RM675.4 billion from 2017. In 2020, the annual rate was 32.7%, marking an income of RM896.4 billion (Department of Statistics Malaysia, 2021). Prior to the pandemic, there were no strong reasons for many brick-and-mortar businesses to go digital. Many were happy with how their businesses ran and saw very little – if no – reason to have an online presence or to join an e-commerce platform. All this changed when the pandemic hit in 2020; the trend towards e-commerce saw a spike of $1.21 billion from pre-pandemic times (Figure 3.7).

Figure 3.7: E-Commerce Income, Malaysia, 2017–2020

Businesses that focussed on babies, toys, stationary, hair, weddings, music, and clothes remained closed in Malaysia until September 2021. During the MCO, only 38.1% of establishments were allowed to operate; these percentages grew as the phases changed to the conditional MCO (76.3%) and recovery MCO (92.4%) (Department of Statistics Malaysia, 2021) (Figure 3.8). To stay profitable, many used social media to promote various goods or services online. For example, hairdressers sold shampoo, hair colour, and tools online since they could not provide services. Some also sold vouchers for their services that could be redeemed once the MCO was lifted.

Businesses also made use of social media platforms. YouTube, WhatsApp, Facebook, and Instagram are the top four social media channels that help determine online purchasing decisions. They assist decision making by 93%, 91%, 91%, and 70%, respectively (Government of the US, ITA, 2020).

In 2018, e-commerce sales globally totalled almost $26 trillion, in which the US was the largest market (UNCTAD, 2021). In Asia, higher-income countries have greater online shopping habits than lower-income countries, possibly due to lower broadband penetration rates and less disposable income in lower-income countries (UNCTAD, 2021). One survey reported in OECD (2020) that the demand in e-commerce spiked 60% in April and May 2020. Indeed, in Malaysia, the purchase of food and groceries
online increased during the pandemic, leading to its e-commerce market to spike to $4.46 billion in 2020 compared to $3.25 billion in 2019 (Figure 3.8).

![Figure 3.8: E-Commerce Revenue in Malaysia ($ billion)](image)

Source: Mordor Intelligence (2020).

3.5. Implications from the Pandemic

3.5.1. Freight Transport

China has been Malaysia’s primary trading partner for 12 consecutive years, and most foreign investment is sourced from there (MATRADE, 2020). This exposes Malaysia to the supply and demand of the Chinese economy, so the pandemic shock has been severe (Cheng, 2020). The original outbreak in China created a worldwide supply and demand shock that had global effects, even before the partial lockdown measures taken by Malaysia. As Chinese factories shut down, manufacturers globally faced production cuts, and commodity exporters braved lower prices (Cheng, 2020).

3.5.2. Public Transport

With the travel restrictions on both inbound and outbound travel, huge financial losses were incurred in the transport sector. Apart from that, the need to observe social distancing and hygiene further reduced the ridership of public transport – perceived as riskier than private transport. The virus can spread through various surfaces such as seats, doors, handrails, and ticket machines as well as by being near and around other commuters and employees who may have COVID-19 symptoms (UNCRD, 2020). E-hailing apps, which have grown during the pandemic, book transport electronically. Although these cars can usually take up to four passengers a time, only one passenger was allowed during the MCOs.
3.5.3. E-Commerce

E-commerce platforms boast thousands of products from Malaysia and overseas. When all non-essential shops and malls around the country were not allowed to operate under the MCO, the population turned to online shopping to obtain goods, especially since the government declared e-commerce to be an essential service and thus allowed to operate. Items that were purchased varied.

Despite the pandemic, Malaysia’s external trade performed well, especially in the second quarter of 2020 (Figure 3.9). In December 2020, Malaysia recorded the highest monthly value, demonstrating that the opening of economic sectors gradually made a positive impact on external trade (MATRADE, 2020). Although overall for 2020, total trade recorded a contraction of –3.6% at RM1.777 trillion from 2019 and imports totalled RM796.19 billion in 2020, it is hoped that the economy will recover in the coming years.

![Figure 3.9: Malaysia’s Total Trade, 2020](source)

Source: Department of Statistics Malaysia (2021).

3.6. Policy Responses

3.6.1. Freight Logistics

Port operators were exempted from import duty and sales tax on machinery and equipment bought for port operations, regardless if the machines were bought in Malaysia or overseas. This applies from April 2020 to March 2023. In addition, a double deduction on pre-commencement expenses for regional office setup was given to international shipping companies that establish their businesses in Malaysia no later than December 2021.

3.6.2. Transport

To further reduce costs to affected sectors, air travel and domestic ground transport were granted exemptions from the Human Resources Development Fund levy for 6 months, from April 2020 to September 2020. To assist with reducing costs for tenants at the airport, Malaysia Airports Holdings
Berhad agreed to give a rebate on rent at the airport and landing areas. Aircraft parking charges were also reduced. At the same time, a 15% electricity discount on monthly bills was provided. As an initiative to stimulate domestic tourism, travel discount vouchers up to RM100 were offered, which included collaborations with air transport providers. Tour bus operators and taxis have been allocated a one-off cash incentive of RM600 for those that have been active and registered since December 2019.

### 3.6.3. E-Commerce

To encourage businesses to invest in e-commerce, incentives were provided for their equipment that qualified under capital expenditure, including equipment for ICT from March 2020 to December 2020. Further enhancing this is Bank Simpanan’s SME Automation and Digitalisation Facility, which helps SMEs purchase ICT-related tools to upgrade their businesses. The duration of the finance facility is 10 years, and RM3 million is offered to each SME. For SMEs concerned with food production and agriculture, the government has also set aside RM40 billion to assist them in marketing their products on e-commerce platforms. Further, the eUsahawan Programme is facilitating Pusat Internet Desa into becoming an e-commerce centre to enable SMEs to sell to a larger group of buyers.

To assist employers in retaining their workforce, the government has introduced a wage subsidy programme, whereby RM600 per month will be provided to employees who have faced a pay cut of more than 50% since January 2020. This applies to workers who earn less than RM4,000 per month. E-hailing drivers were also given RM500.

As the e-commerce market began grow when MCO regulations were put in place, logistics players helped advance the e-commerce market in Malaysia. GD Express, J&T Express Malaysia, and Pos Malaysia have assisted in delivering the high volume of e-commerce goods. Moreover, e-commerce marketplaces have used the pandemic as a business opportunity and begun to offer logistics, apart from operating their e-commerce platforms. One such example is Lazada’s logistics effort, Lazada eLogistics.

### 3.7. Strengthening the Economy

The government introduced various economic stimulus measures to ease the burden of individuals and businesses affected by the pandemic. In general, the stimulus packages serve three main purposes: to protect the nation, to support businesses, and to strengthen the economy. The first aim is designed to reduce the burden of the nation affected by the pandemic through one-off cash infusions. Other efforts include providing special monthly allowances to motivate frontline workers as well as towards various agencies enforcing the MCOs. There is also a moratorium for 6-month periods on specific loans. The second aim, supporting businesses, includes financing facilities for all SMEs, a moratorium on loan repayment, and other grants to encourage business sustainability. Several efforts are directly focussed on the fishery sector, including a RM40 million grant to enable fishers and other agriculture businesses to sell their products directly to the consumer, RM1 billion towards the Food Security Fund to increase domestic production, and RM100,000–RM200,000 for the development of
agro-based products. These initiatives not only to ensure the survival of fishers but also help achieve food security in Malaysia.

Various initiatives also concentrate on the tourism sector, including microcredit facilities with a 4% interest rate, with delayed instalment repayments, and 15% discounts for electricity bills. In addition, there is a RM500 million provision for discount travel vouchers, tourism encouragement through matching grants, and tourism promotions. The government has also introduced some tax-related initiatives; for instance, individuals and businesses can postpone their income tax payments. Tax deductions on the purchase of personal protective equipment will ensure staff safety. To encourage international shipping, companies that established and operate businesses in Malaysia have also been granted a double tax deduction.

Under the Special Relief Facility of the Central Bank of Malaysia, TEKUN Nasional and Bank Simpanan Nasional initiated a microcredit scheme for all business sectors, including taxi and bus operators. The interest rate and loan eligibility were relaxed to encourage more businesses to apply. In addition, the Employees’ Provident Fund has allowed employers to defer, restructure, and reschedule their contributions beginning in April 2020. Banking institutions have been encouraged to offer a 6-month moratorium for credit card balances into term loans and corporate loan restructuring to enable SMEs to continue their businesses and to avoid workers being retrenched.

Under the third objective, the government has created measures to ensure that the economy continues to grow despite the pandemic. Related efforts include the continuation of public transport projects such as the East Coast Rail Link, Mass Rapid Transit Line 2, and the National Fiberisation and Connectivity Plan.

Another stimulus package was announced on 6 April 2020 to further support SMEs. Property owners could waive or lower rental fees for 3 months after the MCO. In return, these owners are given tax deductions that are the same as the waived rental fees (Deloitte, 2020). This is hoped to give SMEs some relief from their monthly commitments while easing cash flow. Companies, such as MARA, PETRONAS, PLUS Expressways Berhad, and UDA Holdings, together with various state-owned enterprises, also agreed to reduce or to not charge rent (Dayangku, 2020). The wage subsidy that was introduced in the previous stimulus package was also increased and expanded to RM13.8 billion to enable businesses to retain their workers for at least 6 months. For companies who have 76–200 workers, RM800 in wage relief was given per employee, while those who have 75 workers or below received RM1,200 per worker. Eligible micro and SMEs received grants of RM3,000. At the same time, the Inland Revenue Board of Malaysia extended the income tax return submission for 2019 by 2 months.

In June 2020, the Prime Minister introduced yet another stimulus package, *Pelan Jana Semula Ekonomi Negara* (National Economic Recovery Plan). Three thrusts were identified: empowering people, propelling businesses, and stimulating the economy. The wage subsidy programme was further enhanced, and the period was lengthened to 3 months. All employers who are eligible received RM600 for each worker. To encourage more people to work from home, both employers and workers were given incentives. Companies received additional tax deductions, and individuals received income tax relief up to RM5,000. Under the Employment Injury Scheme, coverage for accidents while working from home is now included. To assist with low public transport use and to increase mobility, the government introduced the MY30 Public Transport Pass, an unlimited travel pass for RM30 per month on all rail services.
The second thrust is aimed at encouraging micro and SMEs to increase their target market by adopting e-commerce. Eligible businesses received training, seller subsidies, and sales support from the Malaysia Digital Economy Corporation. In addition, e-commerce platforms are working with the government to promote local online sellers. To help lessen the burden of the shift towards digitalisation, SMEs and mid-tier companies have been offered SME Digitalisation Matching Grants, SME Technology Transformation Grants, and Smart Automation Grants. To ensure public health and safety, tax relief can be claimed for COVID-19 screening tests, personal protective equipment, and thermal scanners for businesses.

3.8. Policy Review

To encourage more ridership on public transport, as mentioned above, the MY30 Public Transit Pass can be used with unlimited access by riders in Klang Valley across all bus and rail services. However, this contradicts the sales tax exemption for car purchases under the same stimulus package. No doubt that this was to stimulate the automotive sector, but it does not help increase public transport ridership. The *National Transport Policy, 2019–2030*, also aims to have more than 40% public transport usage by 2030 (Aziz, 2019; Intelligent Transport, 2019). At present, only 20% of Malaysians use public transport. Looking into ways to encourage public transport while ensuring health is one area that the government should investigate.

This may also be an ideal time to carry out upgrading and maintenance works on public transport. The government and public transport providers need to ensure that there is better connectivity between different types of transport and to ensure that safety, comfort, and social distancing can still be practised post-pandemic. Punctuality should also be improved to increase confidence and eventually ridership. Although many Malaysians own cars or motorcycles, public transport remains relevant to students, the elderly, foreign workers, and those wanting to avoid jammed roads.

The constant change in procedures and announcements has also created confusion. When Rapid KL announced returning to usual ridership capacity on 9 June 2020, this decision was chided by Senior Minister (Security Cluster) Datuk Seri Ismail Sabri Yaakob (Daim, 2020). However, 2 days later, the same minister announced that all public transport can resume at full capacity, although with safety measures in place (*Free Malaysia Today*, 2020b). The lack of coordination between government agencies and service providers creates not only lack of confidence but increases fear amongst travellers.

As for air transport, the Malaysian Aviation Commission predicted that 2021 will see passenger traffic rebound. It predicted a 94.2% to 100.3% year-on-year rebound, which translates to 51.7 million to 53.3 million passengers. The forecast is heavily dependent on external factors, however, especially COVID-19 status, public health measures, and industry performance (Kang, 2021).

With increased demand of e-commerce comes another challenge, as customers begin to face delays in receiving their goods. The disruption in China caused e-commerce in Malaysia to be affected, and many e-commerce platforms sent out notices about delays in receiving orders from China (Hasanat et al., 2020). MCO restrictions heightened the delay and doubled the delivery time, as many merchants were forced to look for alternative logistics services. However, maritime freight is slowly picking up
again. Containers that have been stuck at port are being cleared to make room for new cargo. As more and more people transact online for their goods from all over the world, the maritime sector will continue to grow.

3.9. Way Forward

Although the e-commerce sector is relatively strong and is growing, there is still room for improvement. Latest trends, tools, cybersecurity, and logistics are some of the areas that can be investigated to enhance it. The future of public transport remains unclear; yet technology can boost rider trust and safety. It is expected that there will be an increase in touchless technology to speed up boarding processes, for example. Recently, the Istanbul Airport in Turkey introduced the use of antiviral and antimicrobial uniforms (Kang, 2021). KLIA has implemented the use of ultraviolet disinfection systems in its restrooms to stop the spread of airborne infectious diseases (Bernama, 2020). The increased use of open data to help public transport users plan their journey and give feedback would be a good way to enhance the public transport experience and usage as well as services.

References


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