



NEWSLETTER

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SMALL & MEDIUM ENTERPRISES: POLICY RESPONSES TO THE COVID-19 PANDEMIC IN MALAYSIA



Services and Other Sectors

Sales Turnover ≤ RM20 million OR Full time employee ≤ 75

Manufacturing

Sales Turnover ≤ RM50 million OR Full time employee ≤ 200

SMEs Quick Facts in 2018

98.5%

SMEs ESTABLISHMENTS

SMEs business
establishments in
Malaysia

38.3%

SMEs GDP

Contribution of SMEs to
the GDP in 2018

66.2%

SMEs EMPLOYMENT

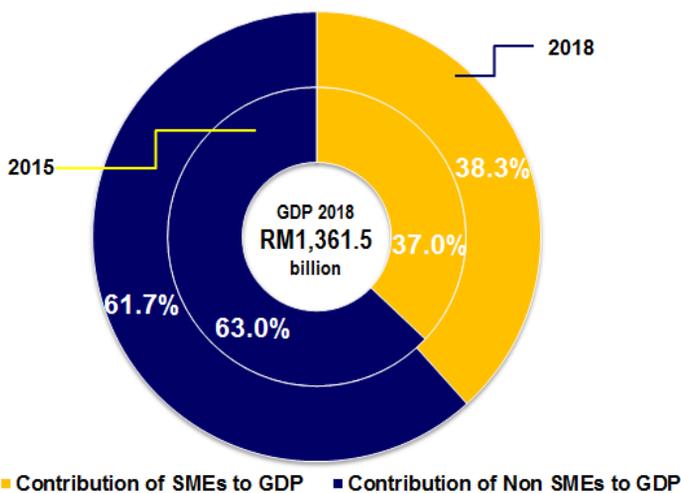
SMEs employment in
Malaysia in 2018

17.3%

SMEs Exports

SMEs Exports of Goods
and Services in 2018

Chart 1: Contribution of SMEs to GDP, 2015 and 2018



It is notable to regard Small and Medium Enterprises (SMEs) as the backbone of the economy as they accounted for **98.5 per cent** of business establishments in Malaysia

SMEs contributed **38.3 per cent** to Malaysia's GDP in 2018 as compared to 37.0 per cent in 2015.

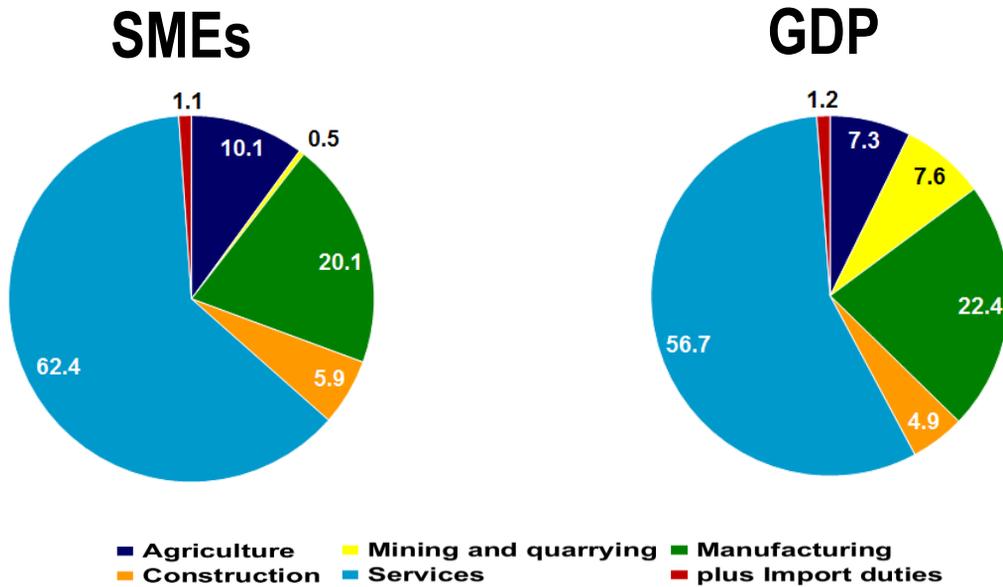
Value added of SMEs (constant 2015 prices) rose to **RM521.7 billion** from RM435.0 billion in 2015.



SMEs PERFORMANCES IN MALAYSIA

SHARE OF VALUE ADDED OF SMEs AND GDP BY SECTORS IN 2018

Chart 2: Value Added - Percentage Share by Sectors, 2018

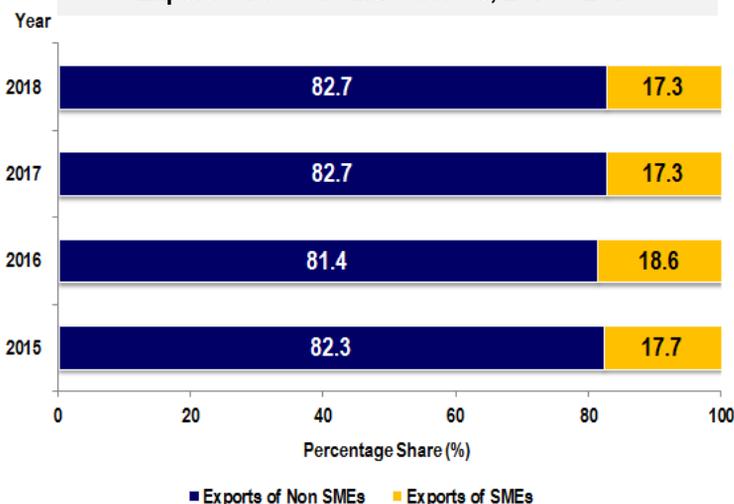


The Malaysia's economy was spearheaded by Services (56.7%), Manufacturing (22.4%) and Mining & Quarrying (7.6%) sectors for the year 2018. These three sectors contributed 86.7 per cent of share in the economy as shown in Chart 2.

From the SME GDP perspective, Services (62.4%) and Manufacturing (20.1%) sectors were the anchor of SMEs economic structure in 2018. Agriculture represents as the third largest contributor to the SME GDP with a share of 10.1 per cent

SMEs EXPORTS OF GOODS AND SERVICES

Chart 3: SMEs Exports - Percentage Share to Total Exports of Goods and Services, 2015 - 2018



Share of SMEs exports of goods and services to total exports sustained at 17.3 per cent in 2018.

Services sector accounted 8.7 per cent of share, while Manufacturing and Agriculture sectors contributed 8.4 per cent and 0.2 per cent, respectively.

SMEs POLICY RESPONSES TO THE COVID-19 IN MALAYSIA

RELIEF MEASURES FOR SMEs AFFECTED BY COVID-19 OUTBREAK

The COVID-19 pandemic was first identified to have spread to Malaysia on 25 January 2020, whereby reported cases remained relatively low until a large spike in cases detected in March 2020. With the spread of the virus throughout the nation, on 16 March 2020 the Malaysian government announced the implementation of "Movement Control Order (MCO)" from 18 to 31 March, 2020 which later extended until 28 April 2020.

SMEs have less resilience and flexibility in dealing with the shocks in costs and limited supplies following the COVID-19, as they normally rely on suppliers from countries and regions with more COVID-19 cases. While, reduction in demand due to MCO has led to reduce in production, the costs of underutilised labour and capital weigh greater on SMEs than larger firms.

Given the specific circumstances SMEs are currently facing, wide array of measures have been introduced by the Government of Malaysia to cushion and mitigate the economic impact and disruptions caused by COVID-19 outbreak. Below are some of the measures introduced:



1

RM5 billion

Special Relief Facility at an interest rate of 3.5% to SMEs

2

RM2 billion

Co-Investment Fund in early-stage and growth-stage Malaysian companies

3

RM1 billion

AgroFood facility at 3.75%

4

RM700 million

Microcredit scheme at 0% interest without collateral to affected businesses

5

RM500 million

Matching grant to promote tourism

6

RM300 million

SME Automation & Digitalisation Facility at an interest rate of 3.75%

7

RM100 million

Training matching grant for tourism & other affected sectors.

8

RM50 million

Short courses in digital skills and highly skilled courses

9

EPF contribution of employees to reduce to 7% from 11% effective 1 April to 31 December 2020.

10

Wage Subsidy Programme to help employers retain employees.

Source: SME Corp.

3



COUNTRIES POLICY RESPONSES TO ASSIST SMEs

Several countries have set up coordination mechanisms to monitor the outbreak and develop policy responses. Most countries focus more on coordination of health and security aspects, as well as launched new initiatives and financial supports.

According to OECD Report on “Tackling Coronavirus (COVID-19) Contributing to Global Effort”, policies introduced by the countries aim to address urgent short-term challenges as well as support the SMEs further growth.

In most countries, the focus of policy coordination is on health aspects. Nevertheless, SMEs aspects are explicitly considered in nations coordinated efforts to mitigate the economic impact of the COVID-19 pandemic on businesses, including the SMEs. The following information* show the widely used instruments across selected countries in response to the outbreak.



Australia

On 12 March 2020, the Government announced a federal economic stimulus package of **AUD18 billion** with measures to support investment and cash flow assistance for small business.

Small to medium businesses with a payroll of between AUD1 million and AUD4 million will receive a **one-off grant of AUD17,500**.



Hong Kong

On 25 February 2020, the Financial Secretary announced a reduction of the profits tax by 100% (subject to a cap) and **low-interest loans for SMEs**.

Offer loans of up to **HKD 2 million for every small and medium-sized enterprise**, under a financing guarantee scheme and involving **HKD 20 billion in total**.



Italy

Micro-enterprises and SMEs of all types, including freelancers and sole proprietorships, can benefit from a moratorium on a total volume of loans estimated at around EUR 220 billion.

EUR 1.5 billion increase in the appropriation of the Central Guarantee Fund for SMEs (Italy's main national credit guarantee facility).



Japan

An expansion of the amount of the special loans offered to SMEs (to **JPN 1.6 trillion**) with zero-interest loans with no collateral to SMEs

SMEs facing more than a 15% decrease in sales can **claim compensation of interests** and can **borrow without collateral**.



South Korea

Relief package of **KRW 29.1 trillion in loans** to small- and medium-sized companies.

Temporarily **increase employee retention support** for SMEs to cover up to 90% (from 75%) of their employees' "suspension period allowance" incurred during their temporary business closure between April and June



New Zealand

Introduced a package of **NZD 6.2 billion** to lend money to small business.

Businesses with turnover of between NZD 250 000 and NZD 80 million will be eligible for loans of up to **NZD 500 000** for a term of up to three years.

* Information last updated 30 March 2020

Source: Organisation for Economic Co-operation and Development (OECD)

DISCLAIMER: The article in this newsletter is the initiative of DOSM officers based on ad-hoc observation and collection of brief information in the field during the Movement Control Order. It does not meet the country's official statistics released standards. Therefore, the content of this newsletter cannot be interpreted as DOSM's official statistics.

