

Dots & Plots

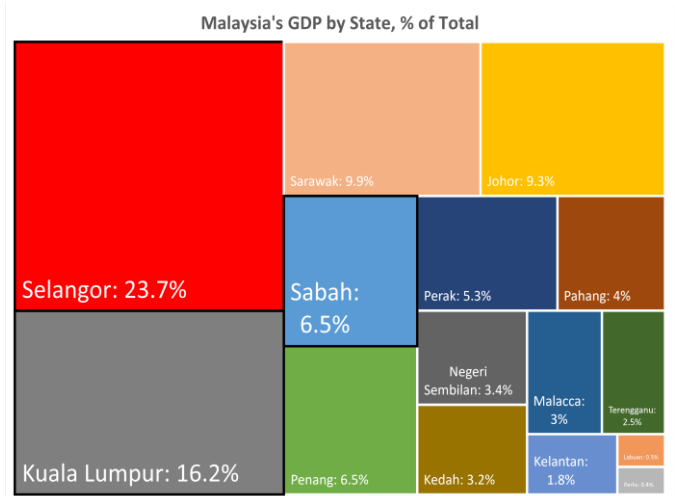
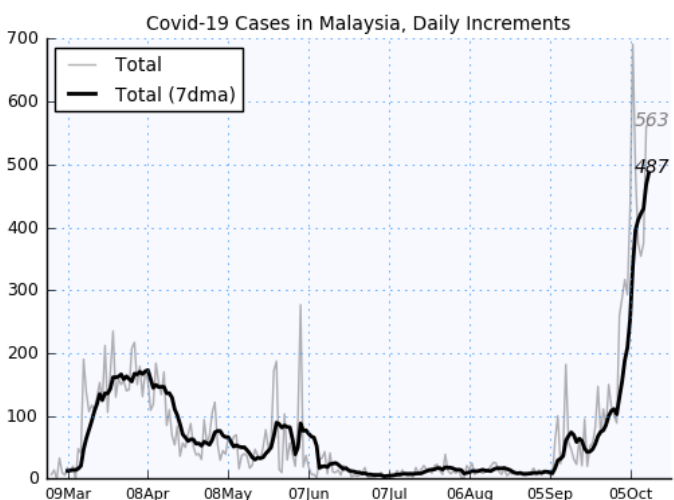
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## Conditional Recovery

### Malaysia’s Q4 economy hinges upon virus fight

- In the end, there is no avoiding it. Malaysia’s government announced a return to Conditional MCO, a partial movement restriction orders, for areas that have seen the fiercest upticks in coronavirus cases in the last few weeks.
- For an initial period of two weeks, there will be a ban on social and religious gatherings and schools and universities will be shut. So far, it is not applied across the country just yet, but only for the capital region of Kuala Lumpur, its surrounding state of Selangor as well as the original epicentre of Sabah.
- Together, these areas comprise a lion’s share of Malaysia’s GDP. Selangor is an industrial powerhouse that makes up nearly a quarter of the economy on its own. KL, being the centre of business axis commands a good 16%. Together with Sabah, the CMCO thus affects nearly half of the total economy.
- The silver lining is that unlike during the more stringent, full-scale MCO that Malaysia suffered through in March-April, broad economic activities can still be allowed to operate, albeit with social distancing restrictions in place. Factories can still run their productions and malls can still open, for instance.
- Still, whatever the official guidelines may be, Malaysians may shy away from crowds on contagion fear once again anyway, hitting consumer spending. Coming at a time when loans moratorium has expired and households need to service their mortgages and car loans once more, it would add to the pressure on the pace economic recovery in Q4.
- Hence, the next two weeks will be especially critical. There remains hope that the more stringent measures can flatten the pandemic curve for Malaysia once again. This would then allow growth momentum to remain on the broad if gingerly uptick – and let BNM hold its OPR on November 3<sup>rd</sup>.



Source: OCBC, Bloomberg, DOSM. Note: Share of Malaysia’s state GDP as per 2019 data.

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