



Business and Economy Crippled If Phase 1 of FMCO Extended. We Need To Survive!

Kuala Lumpur, June 24, 2021 – The current extended period of Phase 1 of the Full Movement Control Order (FMCO) under the National Recovery Plan (NRP) which is scheduled to end on June 28, 2021 has proven to be extremely challenging and damaging on the industry, impacting business viability and survival including employment especially amongst the non-essential sectors that have not been able to operate for the past four weeks. Even the essential sectors are struggling given their reduced capacity and other operational difficulties including their supply chains not approved by MITI to operate and the constant disruptive enforcement raids.

Overall, the industry, comprising both the essential and non-essential companies, is in a very precarious and fragile position with revenue and cashflow severely affected as a result of not being able to meet contractual global supply chain and export commitments with order deliveries delayed or cancelled, causing mounting legal action from customers. Operational costs are also on the rise as fixed operational costs such as wages, rent, utilities, financing costs, etc have to continue to be paid/serviced despite the non/reduced operational period. Business recovery for many has also been reversed. There is also grave fear regarding the impact that this whole FMCO has had on investments especially foreign direct investments as many of the foreign establishments with manufacturing hubs in Malaysia have not been able to support their global supply chains during this crucial period of business recovery globally.

It is also very disheartening that the industry has also been continuously singled out on workplace clusters when it is evident from data released by the Ministry of Health (MOH) that 398,846 of the total 578,105 or 69% of Covid-19 cases recorded this year until June 19, 2021 were sporadic cases i.e. cases that are detected in the community and cannot be associated with any existing clusters. The MOH also warned that sporadic cases of Covid-19 are still on the rise and what is more worrying is that most sporadic cases are asymptomatic. Given these circumstances, managing the entry of infections into the workplace or hostels has become more challenging despite putting the SOPs and preventive measures in place at the workplace including workers' housing. With the virus in the community, it can easily come into factories especially through the asymptomatic cases. What is more frustrating is that the source of infections then is often not traced back to the community but to the workplace where more workers are tested as a result of one confirmed infection. This in turn is classified as a workplace cluster by the authorities giving rise to the misconception that the workplace is the primary source of infection. We note that out of the 662,457 cumulative positive cases reported on June 14, 2021, only 147,040 were from workplace clusters of which 95,156 were from manufacturing. The low figure of 14.36% (95,156/662,457) shows that factory clusters are not the major source of infections.

It is without a doubt that the manufacturing sector has proven to be the catalyst of growth and main source of overall economic growth during this recovery period as evident from the first quarter economic performance and also reflected in the recently announced April 2021 monthly manufacturing statistics. At the same time, external economic conditions are improving and we must allow higher export-related activities to facilitate our own economic recovery in the country.

In this regard and given the dire state of the business community as a result of this round of lockdown, FMM appeals to the Government to move to Phase 2 of the FMCO immediately following the end of Phase 1 on June 28, 2021 including expanding the economic sectors that are allowed to operate and the capacity of operations. FMM calls for the following to be implemented in tandem with Phase 2 which if not considered could lead to permanent and irreversible damage to businesses and the economy:

- Extend the essential economic and services sectors approved to operate to include an en-bloc approval of the entire supply chain and increase the workforce capacity to 80%.
- Allow manufacturing industries in the non-essential economic sectors that have smaller workforce and are able to ensure proper social distancing at the workplace and those with contractual export orders to operate at 50% capacity on a 24/7 basis; and
- Allow critical manufacturing sectors e.g. iron and steel, cement, etc to operate at 50% capacity.

The industry also appeals for the enforcement agencies to be more coordinated with their spot checks and raids on factories so as not to cause undue disruption to company operations. Factories have to face multiple raids by different enforcement agencies who also have different interpretations of the SOPs and MITI's approvals. Greater emphasis and focus should be placed by the authorities on containing the sporadic cases which is the main cause of the spike in infection cases recently.

We also reiterate our call for the Government to further pump prime the economy with a RM200 billion Stimulus Package with RM30 billion direct fiscal injection to ensure that businesses are able to sustain jobs and operations given that the recovery period of most industries have now been reversed as a result of the lockdown and would impact the overall growth of the economy in 2021. The World Bank in their Malaysia Economic Monitor released yesterday has projected a slower growth of 4.5% in 2021 lower than the earlier forecast of 6% due to the ongoing cycle of opening and closing the economy given the resurgence of the Covid-19 virus. There must therefore be more focus to support the private sector to restore resilience and sustainability in tandem with the ongoing immunisation programme efforts which will ultimately bring us back to some level of business normalcy.

FMM lauds the government's efforts to rapidly increase the rate of vaccination to achieve the herd immunity target as soon as possible and note that as of June 22, 2021, a total of 6.3 million Covid-19 vaccine doses had been administered since the beginning of the vaccine roll-out in March with over 1.73 million people fully vaccinated. We understand that so far, 14% of the population have at least received their first dose. FMM has been consistent in its call to the Government to expedite the vaccination of economic frontliners and we welcome the commencement of the Program Immunisasi Industri COVID-19 Kerjasama Awam Swasta (PIKAS) for the manufacturing sector by the Ministry of International Trade and Industry (MITI) to accelerate the immunisation of the economic sector and expedite business recovery.

In conclusion, the industry will continue to give its fullest support to the Government's continued efforts in fighting the Covid-19 pandemic and will continue to ensure strict adherence to the SOPs and preventive measures at the workplace and workers' quarters.



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President, Federation of Malaysian Manufacturers

FMM Advocates Transparency, Integrity and No Corruption

About FMM

The Federation of Malaysian Manufacturers (FMM) has been the voice of the Malaysian manufacturing sector since 1968. Representing over 10,000 member companies (3,000 direct and 7,000 indirect) from the manufacturing supply chain, FMM is actively engaged with government and its key agencies at Federal, State and local levels. FMM is also well-linked with international organisations, Malaysian businesses and civil society. Apart from benefitting from FMM's advocacy, FMM members enjoy value-add services, including training, business networking and trade opportunities as well as regular information updates.

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