



## **Industries In Despair With Government's Decision To Extend Phase 1 of NRP. We Can't See The Light of Recovery!**

**Kuala Lumpur, June 27, 2021** – The Government's decision to extend the Phase 1 of the National Recovery Plan (NRP) indefinitely until all three of the indicators to move to Phase 2 are achieved was met with great disappointment and despair by the business community, in particular, the manufacturing sector. The Federation of Malaysian Manufacturers (FMM) fears that more businesses will either close or retrench workers as most companies especially the micro, small and medium enterprises (MSMEs), are desperately cash strapped and cannot continue to sustain operations and employment with no business activity allowed.

There is also fear of the damage this prolonged lockdown has on Malaysia's competitiveness as a key regional manufacturing hub for many industries that are part of global supply chains. In addition to the non-essential sectors totally not allowed to operate, the essential sectors are also facing production challenges with their reduced operating capacity at 60% of their workforce as well as some being unable to run as their supply chains are not given the approval to operate. Consequently, many customers of the affected industries cancelled their orders and diverted the contracts to other regions. Besides losing their customers permanently, many exporting manufacturers also faced mounting legal consequences as many of their customers have also had their production stopped as a result of the delay in deliveries. FMM has received feedback that some of the existing multinational companies could be making unfavourable decisions on relocating their operations out of Malaysia given that the global economy is picking up but their Malaysian operations are unable to support the increasing demand as part of their supply chain. It is therefore crucial that the Government re-evaluate the sectors that are allowed to operate with due consideration given to the export-based sectors that have been sustaining our economy through their revenue earnings to the nation, source of employment to the locals as well as substantial source of direct investments.

Given the dire state of the business sector now due to the indefinite extension of Phase 1, the industry is questioning the rationale / justification of the three indicators such as the average number of cases which must drop to below 4,000 cases before we can transition to Phase 2 of the NRP. It is important that this threshold is backed scientifically and is data-based as there are concerns that even after a four-week lockdown, the number of cases remain high which indicates that a full lockdown might not be the best solution. Instead, the industry proposes that the Government considers state or area specific lockdowns targeted at the highest number of infections to break the chain of infections. To minimise the impact on both the industry and economy, states/areas where the cases are lower and under control should be allowed to operate without any distinction between essential and non-essential sectors. In addition, the Government should also look at increasing the Intensive Care Unit (ICU) capacity instead of waiting for the ICU bed use to reduce to moderate levels.

FMM also wishes to reiterate that factories are not the main source of Covid-19 cases despite the continuous blame of workplace clusters. 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. In addition, 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. With the virus in the community, it can easily come into factories especially through the asymptomatic cases despite all the SOPs and preventive measures in place at the workplace. These sources of infections are 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. In addition, FMM has been consistent in its call to the Government to expedite the vaccination of economic frontliners via the Program Immunisasi Industri COVID-19 Kerjasama Awam Swasta (PIKAS) for the manufacturing sector by the Ministry of International Trade and Industry (MITI) and this will also help to eliminate the risks of infection at the workplace and expedite business recovery.

The critical state of the business sector has been made even worse with the lack of direct assistance through a more substantial and targeted economic stimulus package in particular for the industry. The Pemerkasa Plus Programme announced on May 31, 2021 is grossly inadequate, especially on direct assistance to industries that are impacted by the Full Movement Control Order (FMCO) and Phase 1 of the NRP given that the lockdowns have been more stringent with a far greater impact than the previous MCOs. In addition, the NRP announced on June 16, 2021 has no strategic direction to reset the economy and assist businesses with their recovery given the prolonged lockdown period. It is therefore imperative for the Government to pump prime the economy and FMM reiterates its call for the Government to come up with a RM200 billion stimulus package with RM30 billion direct fiscal injection to ensure that businesses especially the MSMEs that make up close to 98% of companies in the country do not close, resulting in huge numbers of retrenchments that would send the country down a dangerous path of an economic downturn. Hence, FMM requests for more direct assistance in terms of automatic loan moratorium, enhanced wage subsidy, electricity and energy discounts, reduced or deferred statutory contributions, etc.

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. Faulting industries on minor issues on SOPs and imposing fines and business closure is also not acceptable. There is continuous fear amongst the SMEs especially on enforcement raids and fines despite them having approvals and all SOPs in place. 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.



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**President, Federation of Malaysian Manufacturers**

***FMM Advocates Transparency, Integrity and No Corruption***

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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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