

# The Covid-19 Pandemic in Malaysia and Southeast Asia: Some socioeconomic comparisons

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## Introduction

This article compares pandemic outcomes in Malaysia highlighted by KRI's *State of Households 2024* report to selected Southeast Asian peers<sup>1</sup>. Geographical proximity may not seem a strong reason for comparison, more the province of a certain kind of journalism rather than a search for the patterns that obsesses social science. For better or worse, Malaysia has come to be seen as part of a region. Articles about Southeast Asia have long been written by outsiders and insiders. Southeast Asia has been compared for example, unfavourably, to the developmental successes of Northeast Asia<sup>2</sup>. Now, it is the subject of renewed interest as its great power neighbours, the United States and China, enter a period of increased antagonism. Closer to home, to see how a neighbour fares grants us perspective on our own situation, especially if the findings are unexpected. Not all our

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<sup>1</sup> KRI (2024)

<sup>2</sup> Studwell (2014)

neighbours have enjoyed an economic recovery from the pandemic, for example.

## Methods and origins

Comparisons both haunt and clarify. Nations compare themselves to others as they strive for progress or find themselves distanced from it. There is greener grass or a cautionary tale often just a border away. The comparative method has defined an entire sub-field of political science. There comparisons are a spectre haunting how countries are seen or see themselves<sup>3</sup>. For example, if the investigator is oriented towards Anglo-American thought, the question may be around their conformity to some standard of liberal democratic capitalism, or not, reflecting a moralistic and interventionist foreign policy. China scholars conversely may focus on perceptions of China, reflecting a foreign policy focused on increasing economic influence and alliances.

“Southeast Asia” is an exonym originating in the military command a crumbling British empire mustered in 1943 to organise its response to Japanese victories. In the decades since, first five, now ten, nations that comprise the Association of Southeast Asian Nations (ASEAN) organised themselves to form a security, then economic grouping to bring an order and utility out of the chaos of geographical adjacency. However, the emergence of a dominant collective regional identity remains some distance away. To borrow a noted Malaysian trope, we are Malaysians (or Laotians/Cambodians/Vietnamese/etc.) first, and Southeast Asians second. This is not necessarily a fault. Even citizens of the European Union – the exemplar of multinational unions – do not place their home country identity last.

This is to say that the comparisons made here are geographically arbitrary and this is a feature, not a bug. They are small N comparisons for insight and not generalisation. In order to sharpen the comparative insights, I have excluded outliers such as Singapore and Brunei and Myanmar who respectively have the highest and lowest GDP per capita in order to better bring out insights for the middle grouping of the region.

## Covid-19 sweeps the world

The coronavirus disease 2019 (Covid-19) unleashed a pandemic with unprecedented social and economic impacts. The influenza pandemic of 1918 was the 20<sup>th</sup> century’s great viral outbreak, wreaking a death toll of at least 50 million in a world lacking appropriate vaccines, with limited international travel and minimal social controls. Over a century later, the Covid-19 pandemic has claimed 7 million lives by August 2024<sup>4</sup>. However, Covid-19 spread in a context of ubiquitous international travel and exacerbating factors for zoonotic disease transmission. These factors were not unexpected, they had long been predicted by virologists – the densely populated areas of East Asia where wildlife, agriculture and humanity underwent lethal convergence<sup>5</sup>. Covid-19 was a Grey Rhino; a threat that was highly probable, high impact, but not acted upon in advance.

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<sup>3</sup> Anderson (1998)

<sup>4</sup> WHO (2023)

<sup>5</sup> Tooze (2021)

Our generation's pandemic saw 95% of the world's economies suffer a simultaneous contraction in per capita GDP in the first half of 2020<sup>6</sup> as they voluntarily imposed movement restrictions. Over 3 billion adults had their employment disrupted or struggled to work from home. Nearly 1.6 billion youth had their education interrupted with consequences such as lost future productivity and trillions of dollars lost from their lifetime earnings<sup>7</sup>. Economic shutdown induced massive supply shocks that continue to send ripples into the global economy in 2024. Global semiconductor supply chains are being reorganised, with a shift towards local and regional production to handle supply disruptions.

The scars and aftershocks of the pandemic remain with us and while we are eager to push forward to a brighter future it is important for us to understand how past stresses on households create lingering impacts. Impacts such as constrained household incomes, depleted retirement savings and learning losses all threaten to cloud the future economic wellbeing of Malaysian households unless interventions are made in the present. Reducing inequalities and increasing societal wealth have been central concerns of Malaysian development policy since the 1960s. The formulation of more targeted and effective policies as we near high income status depends partly on the effective and innovative use of data.

Covid-19 challenged the capacity of international and national institutions to respond to a combined public health emergency and induced economic recession. Governments around the world responded in a variety of ways reflecting their predispositions and preparedness. Their actions shaped health, mortality and economic outcomes for their citizens that are still being felt today.

South Korea, Taiwan and China swiftly imposed isolation, contact tracing and mass testing reflecting recent experiences with the MERS (Middle East Respiratory Syndrome) and SARS (Severe Acute Respiratory Syndrome) viruses. The United States, United Kingdom and Sweden took comparatively laissez-faire measures. For a crisis where science-based precautionary action was central, bizarre pseudo-science was floated by leaders in the most advanced economies: drinking bleach, dosing with veterinary drugs, and pursuing herd immunity via infection rather than vaccination. Wearing a mask was seen as a restriction on one's personal freedom rather than a measure to protect others. There was for a time much unproductive debate surrounded 'liberal democratic' versus 'authoritarian' approaches to containing the pandemic. This was more reflective of escalating tensions between China and the West that have continued to intensify in the present.

Some countries did not confront the pandemic with their national institutions in robust shape. This would have varying impacts on how they weathered the combined health and economic crises. Advanced economies such as the United States and United Kingdom were in the throes of national crises induced by the chaos of the Trump administration and Brexit, respectively. When lockdown was imposed on 18 March 2020, the Malaysian Cabinet was barely over one week old. However, with regard to saving lives Malaysia performed relatively well. In terms of reported

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<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

deaths to the World Health Organisation (WHO), Malaysia ranked 31<sup>st</sup> compared to the US, Brazil, India, Russia, Mexico and UK, who in descending order represented the greatest absolute deaths<sup>8</sup>. Looking at excess deaths per capita (the total number of deaths above and beyond what would have been expected based on pre-pandemic trends) Malaysia performed better than Asian leaders such as China, South Korea and Taiwan who were all well below the global average. Countries such as the US, Indonesia, Vietnam, Cambodia and India were above the global average for excess deaths<sup>9</sup>.

In addition to the economic impacts of national pandemic measures, the conflict between Russia and Ukraine had significant inflationary impacts on food and fuel, which combined with reduced demand from China slowed global economic recovery to just 3.0% in 2022 from 6.3% in 2021<sup>10</sup>. Weaker-than-expected growth from China will likely weigh on future global growth.

## Malaysia and the pandemic

In 2020, Malaysia's economy contracted by 5.5% compared to 4.4% growth in 2019 due to the restrictions on economic activity resulting from the containment measures in response to Covid-19 pandemic. Malaysia last experienced economic contraction in 2009 (-1.5%). The economic contraction of 2020 was the greatest since 1998 (-7.4%)<sup>11</sup>. Malaysia was among many countries who had to navigate the tension between limited fiscal space and the need to sustain households and businesses through the transient challenges of pandemic response. By June 2021, the total economic stimulus announced since February 2020 and the start of the pandemic amounted to RM530 billion, with nearly 16% of this being fresh fiscal injection. In other words, for every RM1 announced in stimuli, the government only spent RM0.16<sup>12</sup>. Shortfalls in fiscal stimulus measures, as well as problems with aid disbursement and awareness meant that households and businesses were sometimes short of support during the pandemic. A survey conducted from July to August 2021 for the Ministry of Finance found that only 19% of households in the bottom 40<sup>th</sup> percentile of the income spectrum received food basket assistance<sup>13</sup>. 40% of micro and small enterprises were unaware of the assistance provided by the government and financial institutions. Phenomena such as these would have contributed to the economic scarring evidenced in recent research published in KRI's recent *State of Households 2024* report.

## Southeast Asia and the pandemic

This section contrasts findings from Malaysia, including SoH 2024, with selected regional peers drawing from sources such as the recent regional data compilation by the Lowy Institute (Australia)<sup>14</sup>.

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<sup>8</sup> WHO (2023)

<sup>9</sup> Walker, Rajah, and Gorostiza (2024)

<sup>10</sup> World Bank (2024)

<sup>11</sup> Yin and Wan Amirah Wan Usamah (2022)

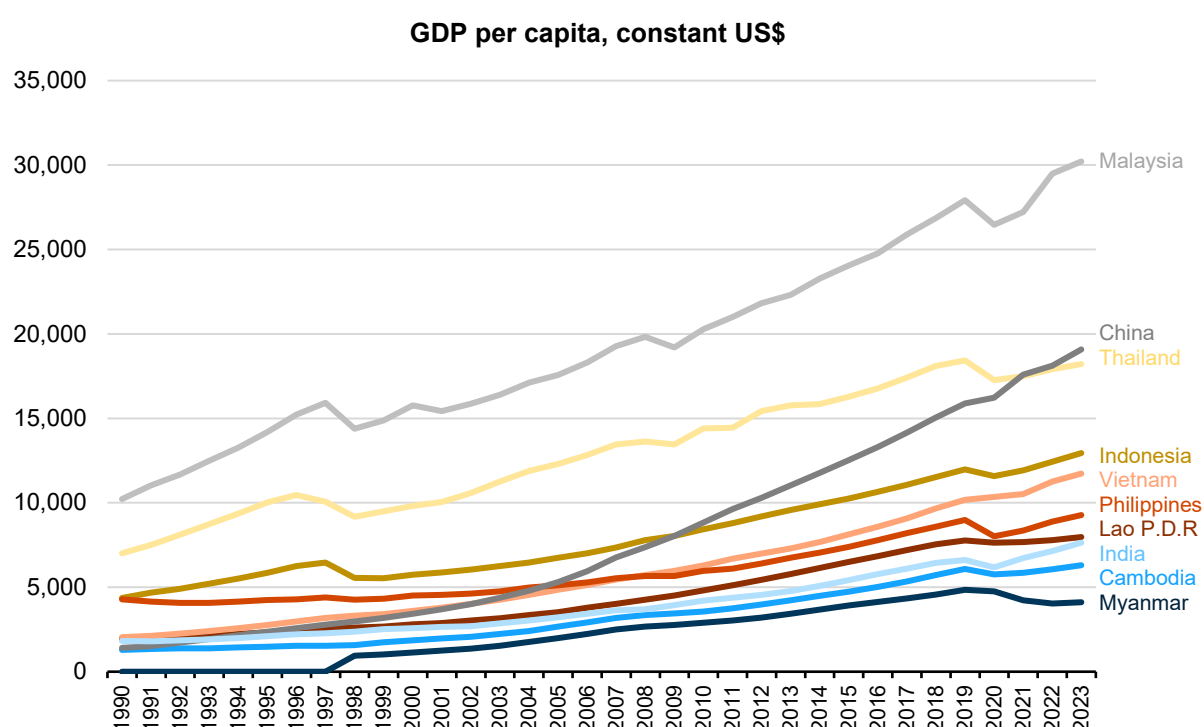
<sup>12</sup> Ibid.

<sup>13</sup> MOF (2021)

<sup>14</sup> Walker, Rajah, and Gorostiza (2024)

## GDP per capita

While all countries in Southeast Asia suffered economic contraction in 2020, not all recovered in subsequent years (see Figure 1). Despite lost growth, Malaysian GDP per capita reversed its downward pandemic trend sharply from 2021-2022. However, several of our neighbours have not enjoyed strong recovery. There is a clear lag in the Mekong region. Thailand, Lao PDR, Cambodia and Myanmar have yet to recover to pre-pandemic trajectories of growth. Vietnam is the only ASEAN Greater Mekong country whose growth has shown strong recovery. To allow for focus on the majority of regional neighbours, Singapore and Brunei Darussalam have been excluded from the chart as they are high GDP per capita outliers. Of the countries remaining, Malaysia is top of the pack, though GDP per capita is yet to recover to its pre-pandemic trajectory.



Source: IMF (2024)

## Lost Real Incomes and GDP

SoH 2024 found that Malaysian household incomes showed modest growth during 2019-2022 but were slowed by the Covid-19 pandemic. Despite the increase in household income in 2022, it grew at a much slower rate compared to the pre-pandemic trend, remaining significantly below potential projections. Specifically, median income was 12% below the pre-Covid-19 trajectory, and mean income was 13% below, indicating a substantial lag in recovery. Additionally, the widening gap between mean and median incomes suggests increasing income inequality, with higher earners benefiting more compared to the rest of the population<sup>15</sup>.

<sup>15</sup> KRI (2024)

Based on forecast IMF data from 2019 and 2024, the Lowy Institute showed that Malaysia's forecasted 2024 real GDP was 11.4% lower than previously forecast<sup>16</sup>, a comparable level of loss to that experienced by household incomes. Real GDP losses were worse in Cambodia (21.6%), Philippines (21.1%) and Thailand (16.4%) and slightly less in Indonesia (11.1%) and Vietnam (10.2%)<sup>17</sup>.

The Lowy study notes that “downgraded growth trajectories are being driven by compounding factors including economic and social scarring from the pandemic, elevated inflation and interest rates, weakening global trade, and a slowing Chinese economy.<sup>18</sup>” This observation pre-dates the economic stimulus measures undertaken by China in early October so the outlook for China trade-dependent Southeast Asia may improve as a result of these measures.

Nonetheless, this is an important point for Southeast Asian countries to review and revisit their industrial policies, including trade strategies, as US-China tensions directly affect Southeast Asia as the outsource workshop of the Pacific. Successful trade and industrial recalibration should support more dynamic growth recovery in the medium term.

However, there is a need to consider multiple scenarios, not just the best-case scenario. While continued US-China industrial tension is not in question, uncertainties remain over the extent of future US restrictions on Chinese production. The ASEAN+3 Macroeconomic Research Office (AMRO) estimates that in the case of a severe escalation of protectionist measures by the US, such as the implementation of universal tariffs on imports, this could lower the region's growth by almost 1 percentage point—resulting in the lowest regional growth since the Asian Financial Crisis, with the exception of the pandemic years of 2020 and 2022<sup>19</sup>.

## Conclusion

While there remains some debate over whether the Covid-19 pandemic is officially over, for most Malaysians it is firmly in the past, which is why SoH 2024 refers to the 2019-2022 period as pre- and post-Covid 19. However, the past shapes the present, and the future that Malaysian households face is a complex one. The economy has rebounded above pre-pandemic levels, and according to Bank Negara Malaysia (BNM) second quarter growth in 2024 advanced by 5.9% while the investment outlook appears positive bolstered by the multi-year energy and industrial plans unveiled in 2023<sup>20</sup>.

Geopolitical conflicts – the ongoing US-China rivalry, Russia-Ukraine war and Israel's genocide policy in Gaza – cloud global economic recovery. If Malaysia can secure catalytic investments seeking to derisk from US-China conflict it could mean improved prospects for the households of tomorrow. We cannot depend entirely on geopolitical arbitrage. As the world-system grows more anarchic, with unilateral trade measures proliferating from Global North trading partner,

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<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> AMRO (2024)

<sup>20</sup> BNM (2024)



servicing growing sources of demand from Asia, emerging African and South American markets will become more important.

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