

# The Post Covid 19 Recovery – Part 2

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### Introduction

In my article (Part 1) posted yesterday to the Future Fast-Forward website, I emphasised the need to have two separate Critical Path Analysis, to formulate an effective recovery plan, namely:

**1) The Supply / Production Critical Path Analysis, and**

**2) The Demand / Consumption Critical Path Analysis**

Having addressed the challenges regarding item (1) above in Part 1, I will proceed to share my views on item (2) today.

However, I need to repeat and stress that Malaysia's efforts to defeat Covid 19 and revive the economy rest heavily on the leadership of Tan Sri Muhyiddin Yasin, our Prime Minister (PM) and on our part as citizens, to thwart all the insidious attempts by the remnants of the PH regime led by Lim Kit Siang (LKS) and his puppet Anwar Ibrahim (AI) and others to subvert and topple PM.

PM has already stated that his focus will be on the present challenges, Covid 19 and economic recovery and would not be baited to indulge in gutter politics. PM assured us that in due course he will deal with these irrelevant bunch of saboteurs. But, the irritants will not cease in diverting our attention, the latest being AI throwing a red herring about citizenship for the Rohingya refugees and his denials that he has advocated for such rights. AI is a political harlot and typically will prostitute any issues to gain some spotlight.

Therefore, I would urge each and every one to shaft LKS and AI down the memory hole and close the lid!

My friends and supporters have queried why, since March 1, 2020 I had unreservedly supported PM and his team when previously I had been "loyal" to Tun Mahathir Mohammad (Tun) for such a long time. Loyalty must never be extended to a person, but always grounded on principles, otherwise we would be indulging in cultism. Additionally, people change for the better and for worse. Diehard loyalists of kleptocrat Najib Razak exemplifies the evil of cultism. Likewise, the slavish minions of LKS and AI ignoring the shallowness of the propaganda ploy "refomasi" which gave rise to a manifesto of "impossible to deliver promises" and the belated confession by LKS that the PH regime was a political scam of false promises.

So, on what basis or benchmark do I rely in arriving at my decision, with the caveat that I must not be under any illusion that a leader is "perfect" and to acknowledge that we are all trying to achieve the ideal.

In Chow Kit Road lingo, “we are freaking sinners! But we strive to be a better person, father, brother, friend and devotee.”

My convictions were strengthened when arseholes cheered me on when I whacked Najib, in the comfort of their favourite kopitiam (the local equivalent of Starbucks for my foreign friends), leather armchairs, karaoke lounges etc. but these scumbags would not tolerate any criticisms of LKS, AI, PH and their minions, the fatal consequences of the Anwar/LKS-CoV-PH infection. Presently, no fate is worse than being infected by the Anwar/LKS-CoV-PH virus!

Let me share with you some ancient wisdom, the indispensable GPS in my political journey.

**Pure is he who does not seek power and wealth.  
Purer is he who is associated with power and wealth but uncorrupted.  
High is he who does not know how to play tricks.  
Higher is he who understands tricks but refuses to use them.**

**Hong Zicheng  
Caigentan (Vegetable Roots Discourse)**

**The noblest is one who has pioneered a moral cause that benefits his generation as well as future generations; the next is one who has performed great services to the people in general; and the next is one whose words enlighten and inspire all others. These are the three immortal achievements in life.**

**Tso Chuan  
(Zho Zhuan)**

### **Preparing for War**

Please bear with me and grant me the indulgence of your patience.

Covid 19 has caught every one unprepared and countries are now paying a hefty price for the unpreparedness. Nassim Taleb said the pandemic was not a “Black Swan” i.e. an unexpected event, as he and his colleagues in their publications forecasted that epidemics and even pandemics would be a common feature and disrupting well laid plans. But, as stated in my previous article, even Nassim Taleb did not expect a global lockdown of economies with the exception of two countries. Nevertheless, Nassim Taleb had plans in place to meet the challenges and it did not surprise me as his hedge fund (Universal Investments) was way ahead of the global pack (please research and learn).

Once again, let me share some gems of wisdom from the Wushu Masters and philosophers which I had elaborated in my book, “The Qi For Longevity” a distillation of the experience of my Grandmaster, Yap Cheng Hai, his Grandmaster Chee Kim Tong, the most trusted disciple of Grandmaster Yit Chuan, a Shaolin Temple monk. The essence of preparedness and pre-emptory alertness is summed up by Confucius as follows:

**The Superior man, when resting in safety,  
does not forget danger may come.  
When in state of security,  
he does not forget the possibility of ruin.  
When all is orderly,  
he does not forget that disorder may come.  
Thus, his person is not endangered,  
and his state and all their clans are preserved.**

**If you make a mistake, and do not correct it,  
this is called a mistake.**

Even though we are now in the recovery phase of Covid 19, we must still go back to the status quo ante Covid 19 to identify our mistakes.

### Facts & Reality Check

Unprecedented crisis.

No country was fully prepared.

Globally, no manuals or SOP to address the Covid 19 infection.

No experts knew the nature of the virus.

Global medical & scientific experts are still debating about every aspect of this infection.

Global blame game has started because no government is willing to admit that mistakes have been made.

Too many arseholes who knew nothing at all about Covid 19 are now posturing as experts. LKS and AI seem to suggest that they are the ones to resolve the crisis by a debate in parliament. Arseholes.

All mathematical models concerning the spread, mortality and recovery are now rejected and proven inaccurate.

And the list goes on as even today, there is still the debate whether the virus is "man-made" i.e. from a lab or from animals etc.

**This is most critical as it will affect the remedial measures to be taken. If it is spread by animals, what other animals are involved other than the proverbial bats, food safety etc. This is another dimension not addressed at all by experts. If it is not animal transmission, but "leaked" etc from a lab, why the experts till now have not being able to identify the labs involved when the Pirbright Institute, UK has a patent on such viruses.**

So, there are mistakes made by many countries, including Malaysia **when it was under the PH regime**. If we failed to identify the mistakes because e.g. we

followed the foreign SOPs etc., have we rectified those mistakes? If not, have the mistakes delayed and or hampered our efforts medically or economically to recover from the crisis?

To avoid any misunderstanding, I am confident that whatever mistakes made, have now been rectified or will be rectified in due course. The point I am making is that the remedial measures the government is taking is "Work in Progress" and there is not and never will be "a one size fits all" solution. The blame game by PH remnants have failed!

Unlike LKS and AI, **my articles are to stimulate a broad discussion within the civil society to assist the government and to expose the myths and lies that only in a parliamentary debate with arseholes LKS and AI drum beating, will the country be able to overcome the crisis. LKS and AI must not be allowed to dictate or control the narrative by their diversionary tactics and propaganda.**

### **The Demand / Consumption Critical Path Analysis**

We have already noted that aggregate demand and consumption have collapsed.

Malaysia's **Private Consumption** accounted for 58.6% of its Nominal GDP in Dec 2019, compared with a ratio of 61.9% in the previous quarter. Malaysia's Private Consumption contribution to Nominal GDP ratio is updated quarterly, available from Mar 1991 to Dec 2019, with an average share of 47.3%. The data reached an all-time high of 61.9% in Sep 2019 and a record low of 39.8% in Sep 1999. (CEIC Data)

**I note that 58.6% in Dec 2019 must take into account of the seasonal spike in spending. We should in fact take the average share of 47.3% only.**

Malaysia's **Public Consumption** accounted for 14.0% of its Nominal GDP in Dec 2019, compared with a share of 10.8% in the previous quarter. Malaysia's Public Consumption share of Nominal GDP ratio is updated quarterly, available from Mar 1991 to Dec 2019, with an average number of 11.7%. The data reached an all-time high of 18.1% in Dec 2012 and a record low of 7.1% in Mar 1998. (CEIC Data)

I stand to be corrected, but given the MCO was issued in March 18, 2020 it would be some time before we would get some figures for the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2020.

I venture to suggest that the Demand/Consumption collapse would be massive domestically. For the export sector, how they will be affected would depend on the importing countries' demand and for which industry and sectors. The difficulty in making a reasonable and quantifiable assessment is reflected in the collapse of demand for crude in the global oil industry. It is estimated that demand fell by 33 million bpd which would not change anytime soon. This problem is compounded by the fact that importing countries (hence demand)

other than China have yet to pass “peak infection”, what more flattening the Covid 19 curve. Opinions suggest a time lag stretching to December 2020 before we can see the light at the end of the tunnel.

That said, I would suggest that the private domestic demand challenge should be addressed first as it constitutes 47.3% of our nominal GDP prior to the Covid 19 crisis.

### **General Checklist (not in accordance of priorities)**

Retail demand for broad merchandise (the range found in shopping malls) will have a relatively long time-lag because customers would still be required to maintain social distancing and would be affected by the residue fear of infection.

Demand for food would spike (for home consumption) as well as hawker foods. Food related industries will recover fast with foreseeable spike in prices from disruptions in supplies. The barometer will be the “wet markets”.

Vehicular travel related industries will not return to normal as quickly as expected. Budget airlines depending on volume will bleed as quarantine, cross border infections and availability of medical services for Malaysians in overseas destinations would be a major deterrence.

Long time-lag for the tourism industry to recover. Hotel industry will be hit hard.

Professional Services demand, across the board will return to normalcy almost immediately, but cash flows will be a major challenge from delayed and or non-payment of fees. Professional services relating to the property and construction industry would be badly affected. Big ticket items are essentially public sector driven demands.

From the foregoing analysis, I would suggest that economic recovery for Malaysia would be **Supply Side driven and not Demand Side driven** for the following main reasons:

- 1) When and whatever the pent-up demands are released, there will be no correspondent up-tick in the economy **if the supply side cannot meet the demands for whatever goods.**
- 2) There is no way for any government to “stimulate” demand as the factors for the return of the consumers to the market are **mainly psychological and households’ cash flows.**
- 3) **Suppliers may not even return to full production,** when they have inventories accumulated before MCO and now have to dispose at discounted prices. The car industry which has 2019 models to dispose would be hard pressed to sell 2020 models as consumers would differ such purchases to a later date, even to 2021. Even if Hari Raya is celebrated as usual (when MCO is lifted), I do not foresee a dramatic

surge in sales, as caution and subdued celebrations would be the order of the day.

- 4) **Supplies cannot return to the market status quo ante Covid 19**, because both the Supply and Demand Curves have collapsed. Every supplier have to ask, **“how much stocks to produce in an uncertain demand environment?”**
- 5) The hoarding of some essential items has already generated revenues pre and during the period of the MCO. **How much of that hoarding stock remain is a big “known unknown” which will dampen demand for replenishment.** Any replenishment would not be at the same scale of purchases.
- 6) Hoarding sales and profits **may or may not be sufficient to cover the costs of the shut down and the re-mobilisation of the operations.** This is acute in the construction industry as an example. Notwithstanding any extension of time, re-mobilisation costs which can be easily measured based on the Bills of Quantities, will be huge and the sticky problem of how that costs be borne by the respective parties. This is a serious choke point.
- 7) Finally, the **“social distancing” requirement** would in my estimation, be the biggest physical and psychological choke point in revamping both sides of the Recovery Equation. **Airlines cannot carry the same passenger load, and at most a third from the normal load. A loss proposition! Passengers would not travel given this fear factor. How do restaurants sit their customers when almost every other table must be vacant for social distancing. Same goes for bus, LRT, commuter trains and taxis etc.**
- 8) Cost of freight across the board will spike **and will have to be borne by both the suppliers and consumers.**

In the circumstances, I would advise that priority should be given to those industries / businesses where both the **Supply and Demand curves are on a V curve trajectory which will boost overall confidence for producers and consumers.**

There may even be a need for **Price Controls Across the Entire Supply Chain for some industries** to jump start an upswing in the aggregate Supply / Demand in the short term until market forces provide the basis for an equitable Price Discovery. **Prices ante Covid 19 can be used as the benchmark for price control for selected items in the short term.**

### **Conclusions**

The above comments are necessarily broad and of a general nature to be fine-tuned by accurate data sets.

There is no way for any government in the present scenario to escape deficits, even a substantial deficit. Deficit in itself does not reflect inefficiencies in managing the economy. Only an idiot would be so ideological and myopic to adopt such a stance. I dare say without any fear of contradiction that most businesses operate on the basis of having adequate credit facilities to meet operating expenses even in boom cycles, more so, in bust cycles such as Overdrafts, Revolving Credits, Discounting of Bills, Short Term Financing etc.

Therefore, PM and his team must be innovative, forward looking and be willing to use all the tools available and apply new tools as well to bring Malaysia to a safe haven of sustainable growth and stability.