

Malaysian workers face intensifying economic and social crisis

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Like the rest of the world, Malaysia's workers and poor are confronting record levels of inflation. In the political establishment and media, concerns are being raised about the "B40"—the bottom 40 percent of households in terms of income—and the potential for social unrest.

For working people, inflation, food inflation in particular, has compounded longstanding social problems such as poor wages and unaffordable housing.

In its January 19 policy statement, Malaysia's central bank, Bank Negara, noted that inflation for the period January to November 2022 has hit 3.4 percent and would continue at approximately 3.0 percent throughout 2023. This is substantially higher than the annual pre-pandemic inflation rate of about 1.5 percent.

The poorest sections of the population have been hard hit by food inflation. At the beginning of 2022, food inflation in Malaysia was under 4 percent but rose sharply over the year to reach 7 percent in November. Some food items increased as much as 40 percent.

The largest contributor to food inflation has been the US/NATO war in Ukraine against Russia. Food inflation spiked with the commencement of the war due to huge increases in the prices of fertiliser, grain and other foods sourced from Ukraine and Russia.

A Malaysian sub-reddit entitled "Serious inflation is happening" has numerous recent comments on the matter of inflation and especially food prices.

The comments reflect a growing desperation. "If I earn RM2,200 per month [\$US510] and spend a total of RM800 in rent and utilities, I am left with RM1400, divide that by 30 and I can only spend a maximum of ~RM46 per day if I want to survive. I can still save, but if an emergency happens or if I get sick then I'm done for..."

In May 2022, the monthly minimum wage was raised

from RM1,200 to RM1,500. This is still very far removed from the living wage of RM2,600 recommended by Bank Negara in 2018, before prices soared.

Another reddit comment declared: "Cutting down things that are not a necessity might be a way to go but not a long term solution. Sooner or later we will arrive at a point where nothing can be cut down anymore but the wages is not enough to sustain a basic lifestyle and that's gonna be a big trouble."

Soaring food prices have already hit school canteens nationally. In early January, a substantial number of school canteen operators, who sell school lunches at a fixed rate as specified in their contract, are shutting their operations due to the high cost of raw ingredients.

Siti Normah Mohd Desa of the Malaysian School Canteen Operators Association noted that more than 40 percent of the association's 10,200 nationwide operators had been forced to close. Siti Normah noted that "a kilo of chicken was RM8.50 last week, and now it has increased by another RM2.80 to RM11.30," an increase of 33 percent. The price hike is substantially due to the increased cost of chicken feed.

Siti Normah stated: "We are serving schoolchildren who mostly can't afford expensive meals," adding that "pocket money of RM4 is [only] enough for fried rice with a fried egg and a glass of water."

Academy of Sciences Malaysia fellow Dr Madeline Berma pointed out that low income B40 families spend more than 40 percent of their income on food. By contrast, households in the top 20 percent spend only about 15 percent on food.

In mid-2022, *Forbes* noted that Malaysia's wealthiest 50 people suffered a 10 percent decline in their assets. But this wealth, derived from the exploitation of Malaysian workers and the environment in areas such

as petroleum, palm oil, manufacturing, property, banking and minerals, still stood at more than \$US80.5 billion.

Households in the B40 category earn less than approximately RM4,800 (\$US 1,100) per month and, aside from food, spend a large part of their income on rent, utilities, transport, child care and schooling. Most families in this group, along with large numbers of the middle class, face hardship in various forms.

A 28-year-old street food vendor identified as Marlia said she is helping her husband, a truck driver, pay off money he borrowed from a loan shark in 2020. “I don’t blame my husband for taking out a loan to cover our five months’ unpaid rent after he was laid off because if he hadn’t done so, we would have been homeless,” said the mother of two.

A private sector employee, Afiq, remarked “if the government can provide special childcare centres and pre-schools for the low- and middle-income groups, it will really help reduce their financial burden.”

There are only a limited number of subsidised and government run childcare centres that are more affordable when compared with private centres. With three children, Muhammad noted that more than RM1,000 per month per child was required for kindergarten fees, nanny wages and school supplies.

The workers and the poor are also being hit by the rapid increase in Bank Negara’s official cash rate between May and November 2022. The cash rate increased from a record low of 1.75 percent to 2.75 percent over this period, prompting increases in bank lending rates.

The bank, however, is under pressure to increase interest rates even further in step with US Federal Reserve rates, in order to attract investment, minimise capital outflows and prevent a fall in Malaysia’s currency, the ringgit.

Despite Bank Negara’s actions, the ringgit fell by 5 percent in 2022 and is expected to fall by a further 4 percent at the start of 2023. These falls further fuel inflation by raising the price of imported goods.

The newly installed government of Prime Minister Anwar Ibrahim has maintained some price subsidies. Food, fuel, electricity and other subsidies totalled RM77.7 billion in 2022 or about 27 percent of projected federal government revenue.

However, there is significant nervousness within

ruling circles about the sustainability of these subsidies, not least by Anwar himself who is also finance minister. On January 17, Anwar warned that government debt and liabilities had reached RM1.5 trillion (\$US346 billion) and repeated his call for these to be reduced.

Malaysia’s former second finance minister, Johari Ghani, referenced the high level of government debt and warned about the parallels with Sri Lanka. In 2022 the Sri Lankan government defaulted on its debt obligations, with workers and the poor now suffering crushing austerity demanded by international finance capital.

In December 2022, shortly after becoming prime minister, Anwar indicated that electricity price subsidies would continue. Pointedly, however, Anwar noted that this would “impact the country’s finances by some RM30 billion,” suggesting that at some future point the subsidies will be unaffordable and have to be abolished.

Those in the poorest 40 percent of society are being squeezed economically on all sides—a situation that will fuel social unrest in Malaysia, as it is doing internationally.



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