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Energy shock requires swift, impactful response

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[Phar Kim Beng](#)

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Malaysia is in an early-stage crisis, and a Covid-19-like intervention has become imperative.

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Malaysia is not in a state of emergency. Not yet. Its fuel reserves remain adequate, its financial reserves to defend the ringgit remains stable, and its institutional capacity is intact. [Travel Guides & Travelogues](#)

But to conclude from this that Malaysia can afford a gradual or minimalist response to the unfolding global energy shock would be a profound strategic mistake.

The reality is far more sobering: while Malaysia is not yet in crisis, it is entering the early stages of one. And early-stage crises are precisely when decisive, large-scale intervention matters most.

The declaration of national emergency by the Philippines – the current chair of Asean – should be read not as an isolated national reaction, but as a leading indicator of what lies ahead for the region.

Across Southeast Asia, [economies](#) are already being strained by rising fuel prices, tightening energy supplies, and cascading increases in the cost of food, fertilisers, and animal feed.

Malaysia, as a deeply open trading state, cannot insulate itself from these forces.

Indeed, the numbers already point to mounting stress. Fuel subsidies have surged from RM700 million per month to about RM3.2 billion.

This is not merely a  fiscal adjustment – it is a structural shock working its way through the economy.  Fiscal Policy News

At the same time, the damage to critical energy infrastructure in the Gulf – especially in Qatar, where production capacity has reportedly fallen by 17% – signals that the disruption is not temporary.

This is not a short-term spike. It is the beginning of a prolonged period of elevated energy prices, likely to last years rather than months.

In such an environment, conventional policy responses – incremental adjustments, targeted subsidies alone, or gradual recalibration – are insufficient.

What Malaysia requires is not restraint but resolve.

The lesson from the Covid-19 pandemic is clear: when confronted with systemic shocks that threaten the  economic fabric, governments must act at scale.

During the pandemic, Malaysia mobilised RM530 billion across eight stimulus packages, including RM83 billion in direct fiscal injections. These measures were not excessive; they were necessary to prevent widespread business failures, mass unemployment, and a collapse in demand.

Today's energy crisis, while different in origin, carries similar systemic risks. It is a supply shock rather than a demand collapse – but its effects are no less pervasive.

Except for Malaysia, which would be affected in a manner that is less disruptive, the whole of Asean will have acute problems from the energy crisis and supply shock, according to JP Morgan.

Yet, costs are rising across every layer of the economy in Malaysia too.

Businesses face higher input prices, households confront rising living expenses, and supply chains are becoming increasingly fragile.

If left unaddressed, this will not simply result in slower growth in Malaysia.

It will trigger a wave of business closures, particularly among SMEs, which form the backbone of Malaysia's economy.

It is for this reason that a Covid-like response is not only justified – it is necessary.

Malaysia must deploy a bazooka-scale fiscal stimulus, calibrated not toward blanket consumption, but toward preserving the productive capacity of the economy.

At the heart of this response must be the protection of SMEs.

These enterprises operate on thin margins and limited buffers. They are the first to be hit by rising energy and input costs, and the least able to absorb prolonged shocks.

A comprehensive support framework – comprising direct financial assistance, concessional financing, tax relief, and targeted subsidies – must be rolled out with urgency and scale.

But even more critically, Malaysia must confront a looming legal and financial risk: the wave of insolvencies that could arise from this supply shock.

If businesses are forced into bankruptcy not because of mismanagement, but because of an exogenous geopolitical crisis, the long-term damage to the economy will be severe and unnecessary.

There must therefore be a temporary moratorium on bankruptcy declarations and insolvency proceedings directly linked to the current energy and supply shock.

Such a measure would not undermine financial discipline.

Rather, it would recognise that extraordinary circumstances require extraordinary safeguards.

During Covid-19, similar interventions prevented a cascade of business failures.

The same logic applies today. Without such a moratorium, viable businesses risk being permanently destroyed by a temporary – but prolonged – external shock.

This would erode Malaysia's economic base, weaken employment, and delay recovery long after global conditions stabilise.

At the same time, fiscal stimulus must be complemented by structural measures.

Energy diversification, demand management, and regional cooperation within Asean remain critical pillars of long-term resilience. But these are medium- to long-term strategies.

They cannot substitute for immediate economic stabilisation.

The truth is simple: Malaysia cannot "adjust its way" out of a systemic energy shock of this magnitude. It must stabilise first, then reform.

To hesitate now – out of concern for fiscal deficits or [political](#) optics – would be to repeat the mistakes of past crises, where delayed intervention ultimately proved more costly.

The window for pre-emptive action is narrow.

Malaysia is not yet in an emergency. But the rest of Southeast Asia is already showing signs of distress.

The question is not whether Malaysia will be affected – but how prepared it will be when the full force of the shock arrives.

A bazooka [fiscal](#) response, anchored in SME protection and reinforced by a moratorium on insolvencies, is not an overreaction.

It is the minimum required to preserve economic stability in an era of prolonged uncertainty.

Malaysia still has the capacity to act decisively.

What remains is the political will to do so – before the edge becomes the fall.

The views expressed are those of the writer and do not necessarily reflect those of FMT.

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