



社会经济研究中心
SOCIO-ECONOMIC
RESEARCH CENTRE

QUARTERLY ECONOMY TRACKER
(2019 Fourth Quarter & 2020 Outlook)

Malaysia – What to Watch in 2020?

Lee Heng Guie
Executive Director
14 January 2020

What awaits in 2020 and Beyond?



Section 1

2020 Global Outlook

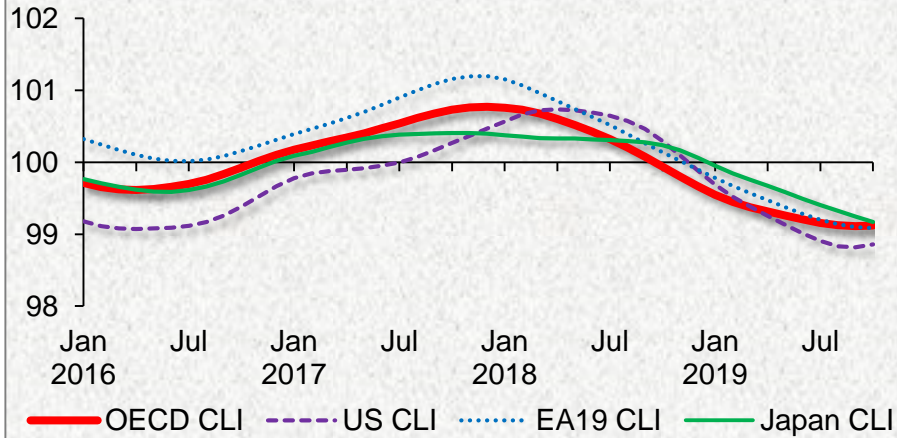
Looking for stabilisation and recovery ahead



High frequency indicators show tentative signs of bottoming out

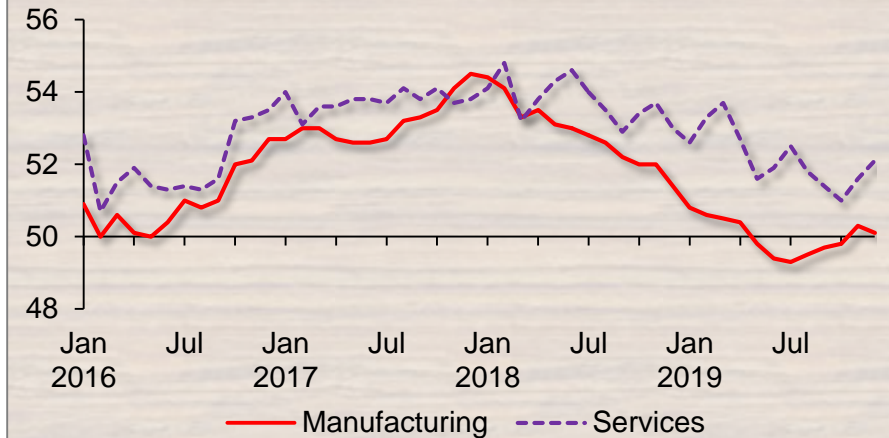
Composite Leading Index (CLI)

A gauge of economic outlook (Long-term average = 100)



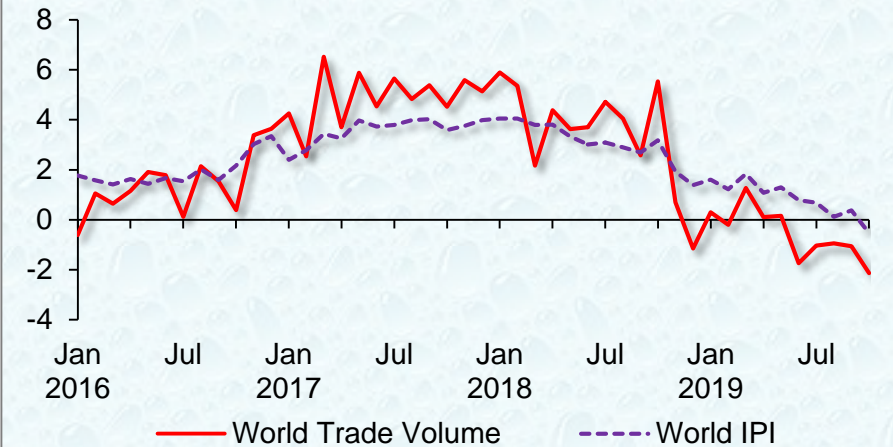
Global PMI for manufacturing and services

(50 = no change on prior month)



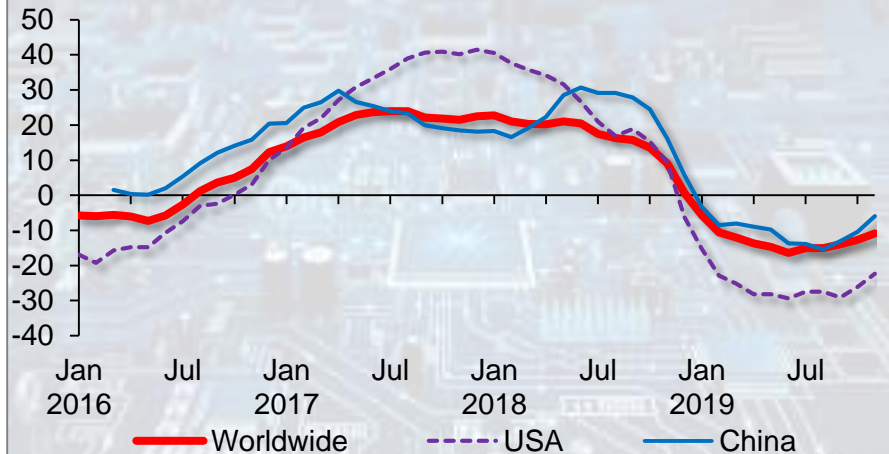
World Trade Volume and IPI

(%)



Global semiconductor sales

(%, 3-month moving average YoY)



Source: OECD; Markit; CPB Netherlands; SIA

What are the inflection points?



Easing of trade tensions uplift positive sentiment. What's next after the signing of a "phase one" trade deal between the US and China? A rollback of tariffs in stage?



Coordinated global central banks' monetary easing and QE as well as China's massive policy stimulus set the scene for stable global growth in early 2020



The upcoming 2020 **US Presidential elections**









Downside risks: Low or negative interest rates failed to work; limited fiscal space; bloated global debt; commodity prices volatility; and geopolitical shocks/disruptions



CAUTION IS STILL WARRANTED

Global growth scenarios for 2020

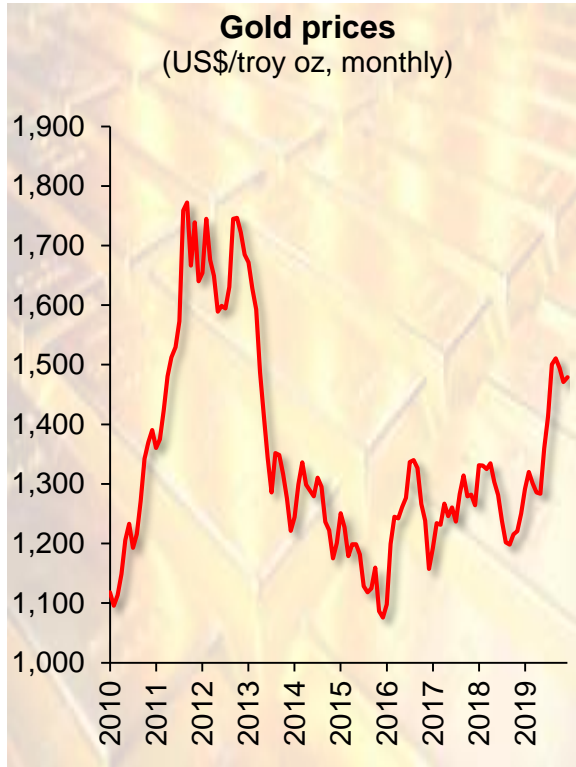
Scenario 		Probability 	Projected global GDP growth 
Upside 	<ul style="list-style-type: none"> • Global growth acceleration • Policy stimulus is working 	20%	3.5%
Base Case 	<ul style="list-style-type: none"> • Global stabilisation and recovery • Uncertainties over trade still linger; financial turbulence; geopolitical shocks 	50%	3.2-3.4%
Downside 	<ul style="list-style-type: none"> • Sharp global slowdown • Reacceleration of trade tensions • Failure of policy stimulus • Deepening geopolitical disruptions; unexpected economic shocks 	30%	2.8-3.0%

Global growth projections for 2020 (IMF)

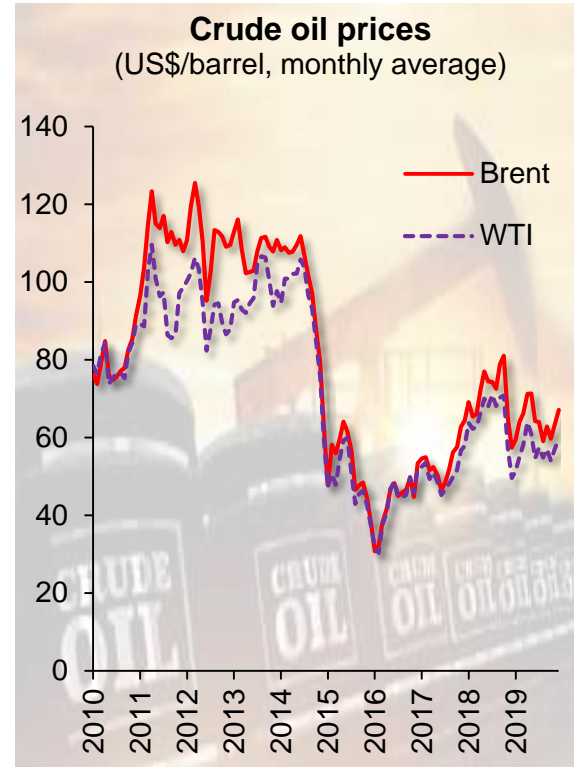


Gold prices continued rallying; Firming commodity prices

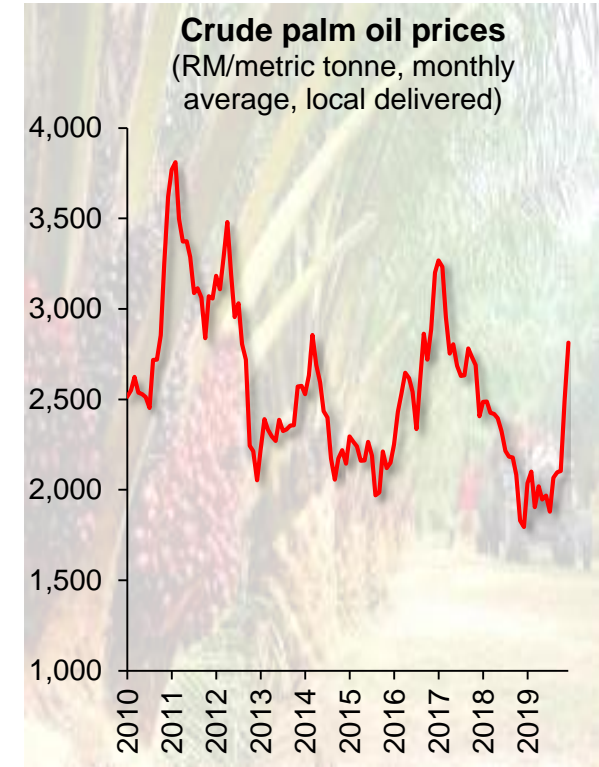
Gold prices steady on demand, low real interest rate and safe haven



Crude oil prices: Global growth stabilizes; Supply cut continues; the US-Iran tensions



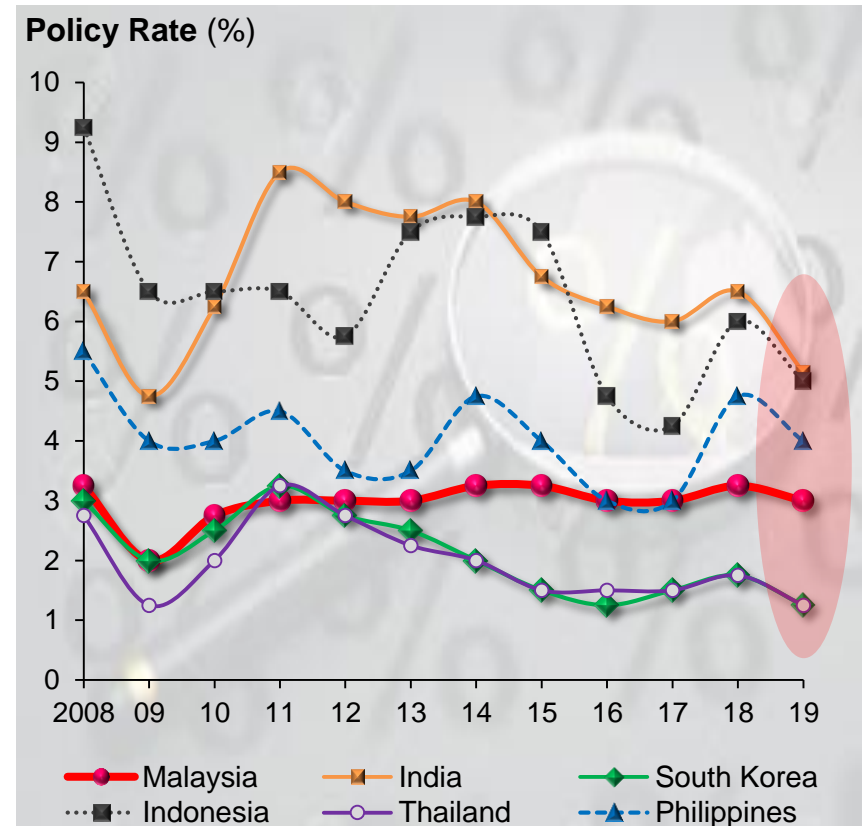
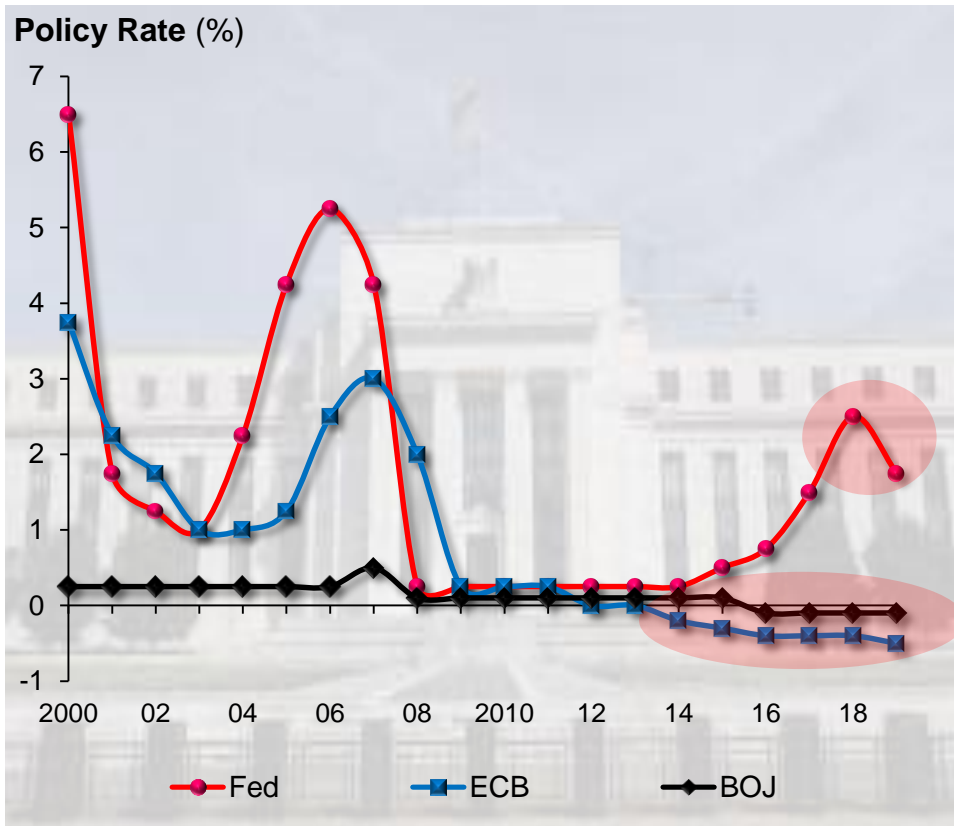
CPO prices surging higher supported by demand and a reduction in inventory



Source: World Bank; EIA; MPOB

Global central banks' monetary easing bias remains

- Low or negative interest rate is a new normal again?
- Emerging central banks' future interest rate move will be data dependent, weighing on the impact of previous interest rate cuts on the domestic economy as there is a response lag of up to 18 months for the rate changes to take full effect.



Note: Interest rate on deposit facility applied as ECB's policy rate
 Source: Fed; ECB; BOJ; Official central banks

Section 2

The Malaysian Economy

Sustaining growth requires good execution of policies and reforms



Malaysia: Navigating a challenging 2020



4.5%

4.5% GDP growth estimate for 2020. Weighing on cautious global growth estimates of 3.2-3.4% in 2020 (estimated 3.0% in 2019), the Malaysian economy is expected to grow by 4.5% in 2020, a tad lower from estimated 4.6% in 2019.



Domestic demand, especially private consumption will be calling the shots, albeit slower as there remains considerable uncertainty about private investment. The 2020 Budget's 4.3% increase in development expenditure to RM56.0 billion should help to provide partial support to the domestic economy. What matters most is to **execute effectively the Budget's programmes and initiatives; and to disburse the funds timely for the implementation of projects.**



Private consumption is estimated to pace slower to 6.7% in 2020 (estimated 7.2% in 2019), which is normalised towards its long-term growth of 7.0% per annum in 2011-2018. Underpinning private consumption are stable labour market condition, albeit an estimated rise in unemployment rate of 3.3%-3.4% and continued wage growth (4.5%-5.0%) as well as RM5.0 billion cost of living aid to targeted households and individuals.

Malaysia: Navigating a challenging 2020 (cont.)



One of the biggest challenges facing the Malaysian economy is the fast slowing growth of private investment. The growth rate has been losing steam in recent quarters to 0.9% in the first nine months of 2019 and likely to end the year much lower at 0.8% (4.3% in 2018 and 9.0% in 2017), the slowest pace in nine years after contracting by 7.4% in 2009. **For 2020, we expect private investment to remain cautiously weak, growing by 2.2% as investors stay on side lines on wary about external conditions, broader domestic political development, including the leadership transition and policy uncertainties.**



The danger is that the persistent pull back on capital spending would take much of the steam out of the economy going forward and undermine capital formation.



It is thus domestic private investments that form the bulk of private investment (at least 55% of total), and unless these accelerate, investment cycle will not see a convincing expansion and hence, exerting downward pressure on the economy.

Malaysia: Navigating a challenging 2020 (cont.)



Property overhang in both residential and commercial properties had impacted private investment in these sectors. For several sectors such as telecommunication, pharmaceutical, power, automotive, banking and sharing economy, there have been regulatory and policies changes, including technological and digitalisation disruptions that have impacted or could impact the performance of these sectors.



It is positive that the 2020 Budget is making available RM1 billion in customised packaged incentives to attract investment from Fortune 500 and global unicorn companies in high technologies, manufacturing, creative and new economic sectors.

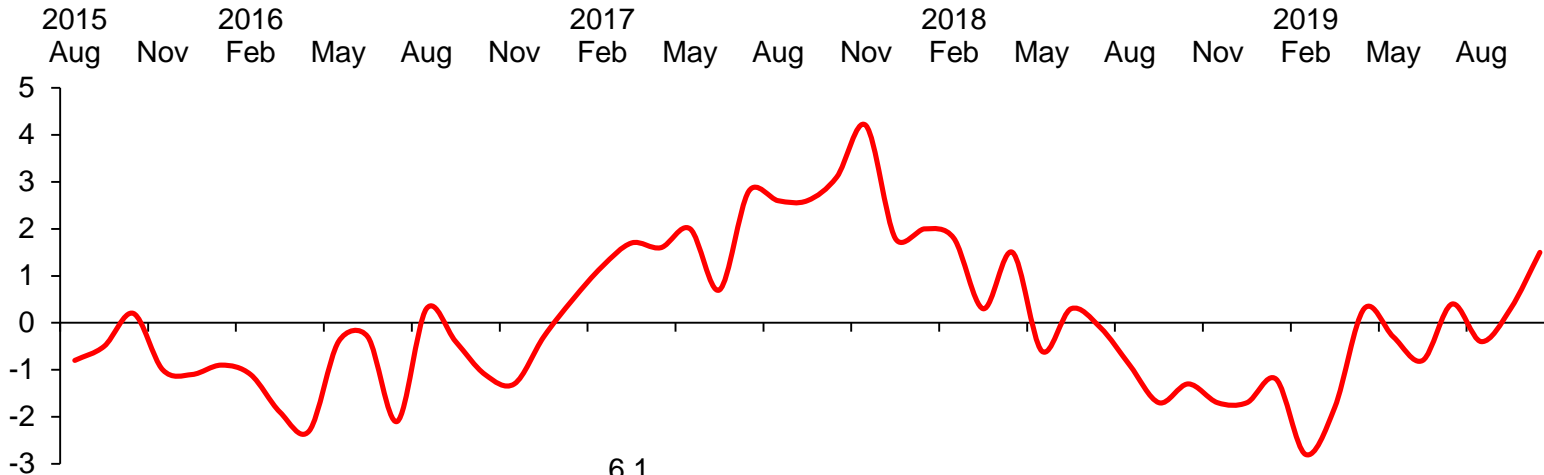


Businesses and investors are seeking **certainty in the country's direction, policy and regulations**. Reviving investor confidence should be a priority. The economic development policies and benefits of policy interventions aimed at sustaining quality economic growth and reviving investor sentiment need to be clearly spelled out, especially in terms of employment and income generation outcomes.

Leading index indicates continued economic growth

The Leading Index (LI) indicators anticipate the overall economic activity in four to six months ahead, e.g. LI indicators in Feb indicate performance in Jun-Aug.

Leading Index Growth (% YoY)



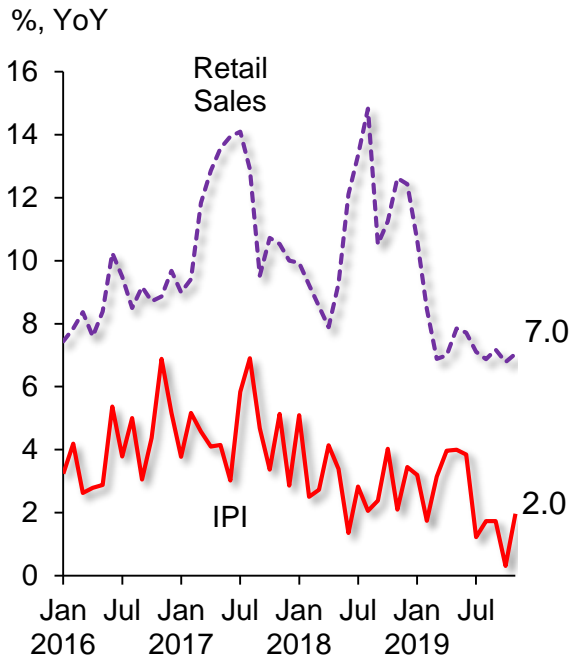
GDP Growth (% YoY)



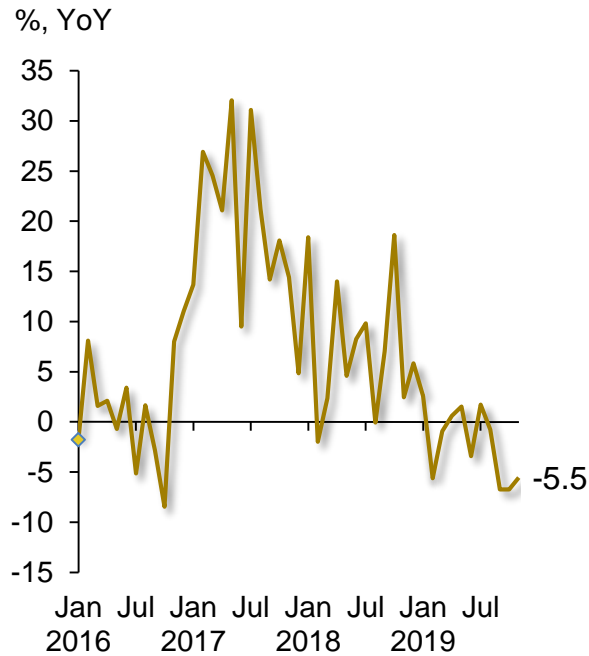
Source: DOSM; BNM

High frequency indicators suggest continued expansion; albeit slower

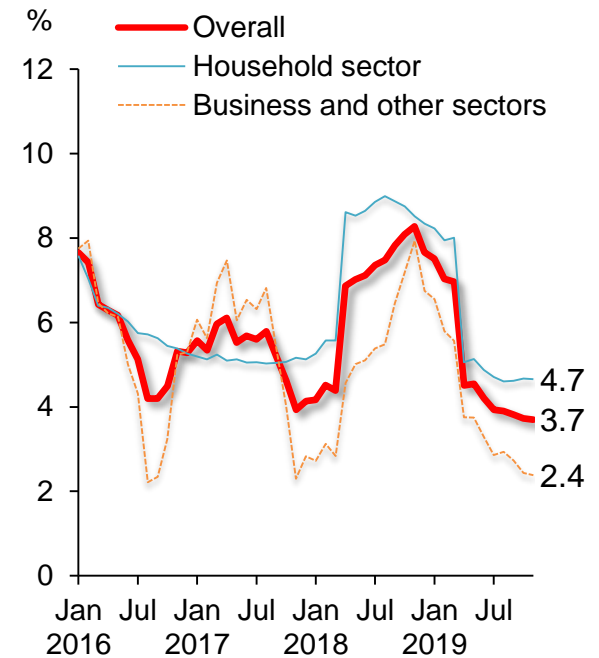
IPI growth moderated; retail sales growth slowed significantly



Exports declined by 2.1% yoy in Jan-Nov 2019



Overall loan growth continued to moderate

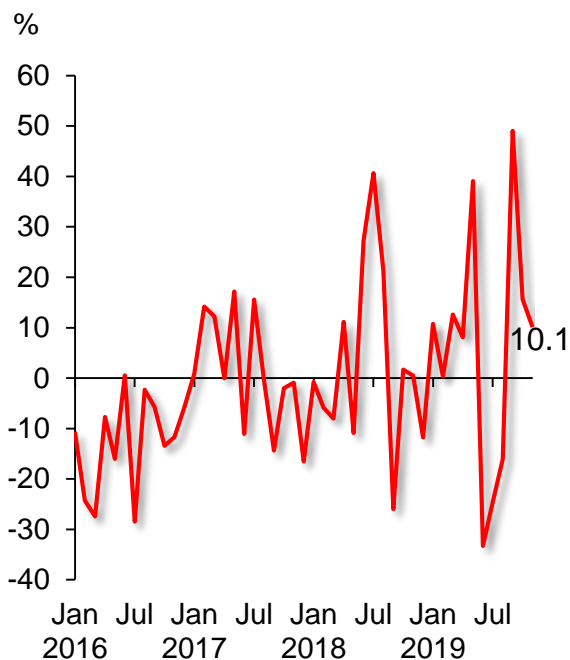


Note: Loan data for April 2018 onwards have been revised to include MBSB Bank Berhad.

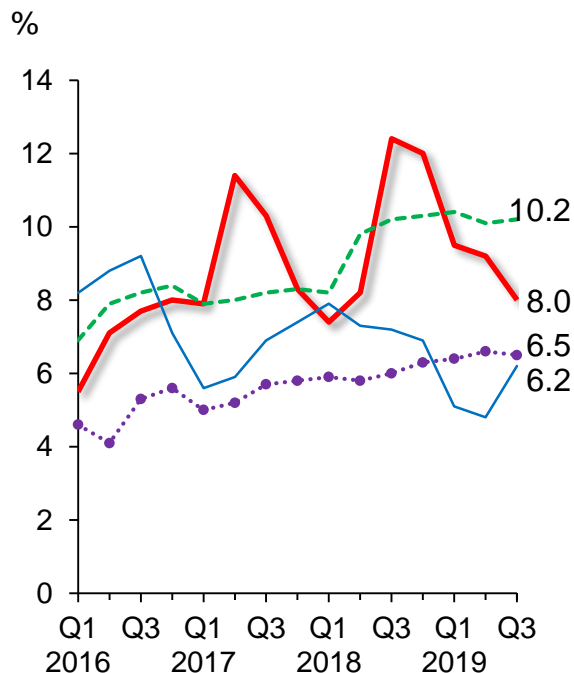
Source: DOSM; BNM

Private consumption indicators

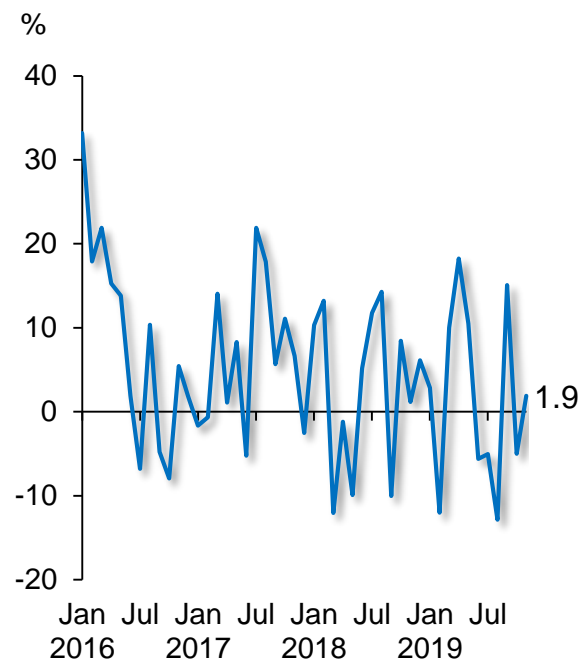
Passenger car sales increased significantly post the lapsing effect of zero consumption tax



Growth of wholesale, retail, restaurant and hotels



Imports of consumption goods



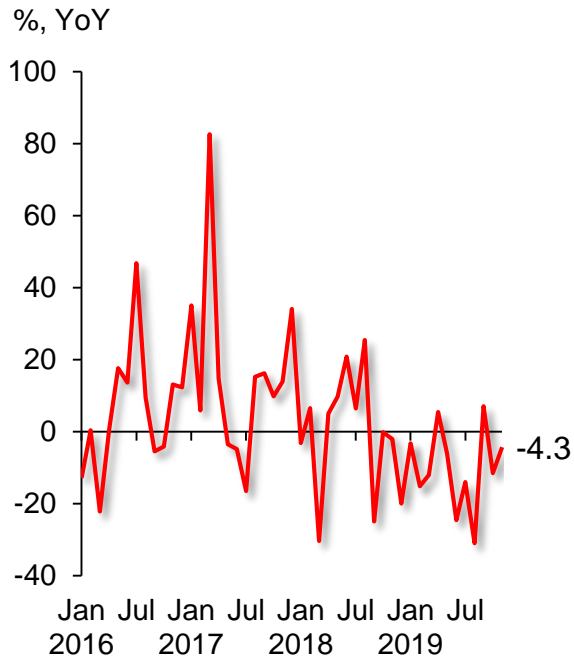
- Retail Trade
- Wholesale Trade
- - - Food & Beverage
- Accommodation

Note: Loan data for April 2018 onwards have been revised to include MBSB Bank Berhad.

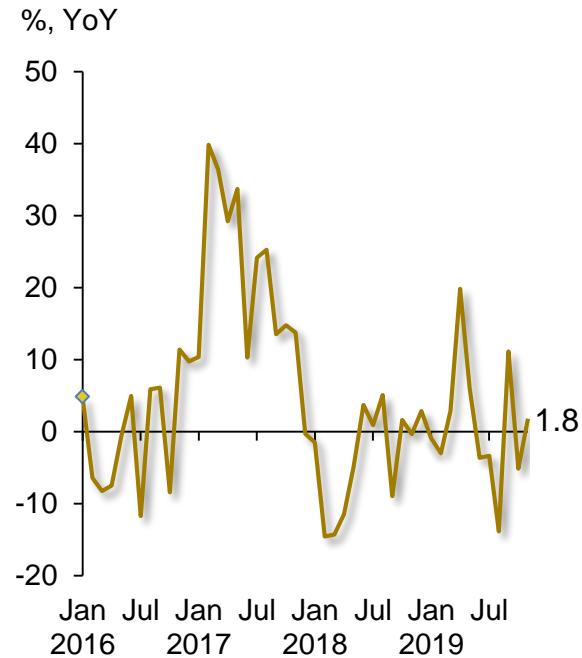
Source: DOSM; BNM

Private investment indicators

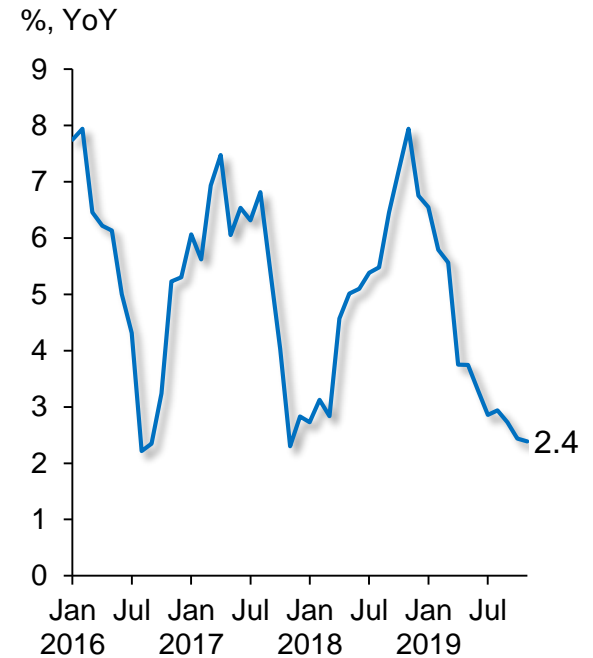
Weak imports of capital goods indicate sluggish investment activities



Imports of intermediate goods also grew unevenly



Loans extended for businesses and other sectors

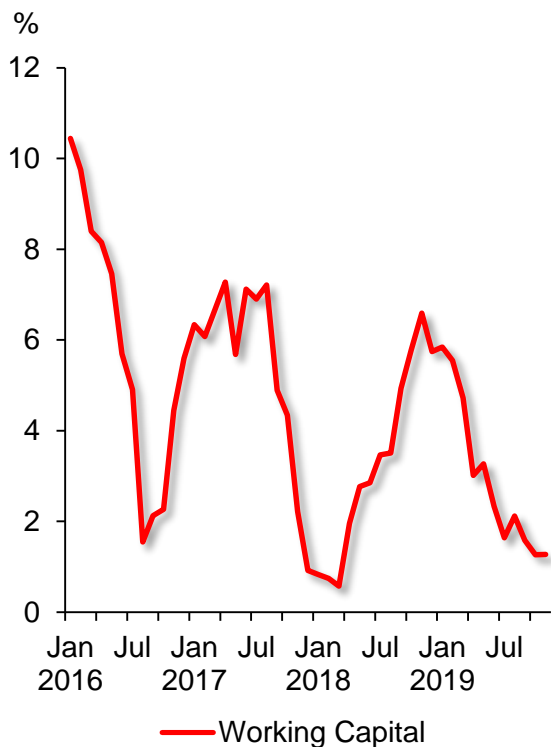


Note: Loan data for April 2018 onwards have been revised to include MBSB Bank Berhad.

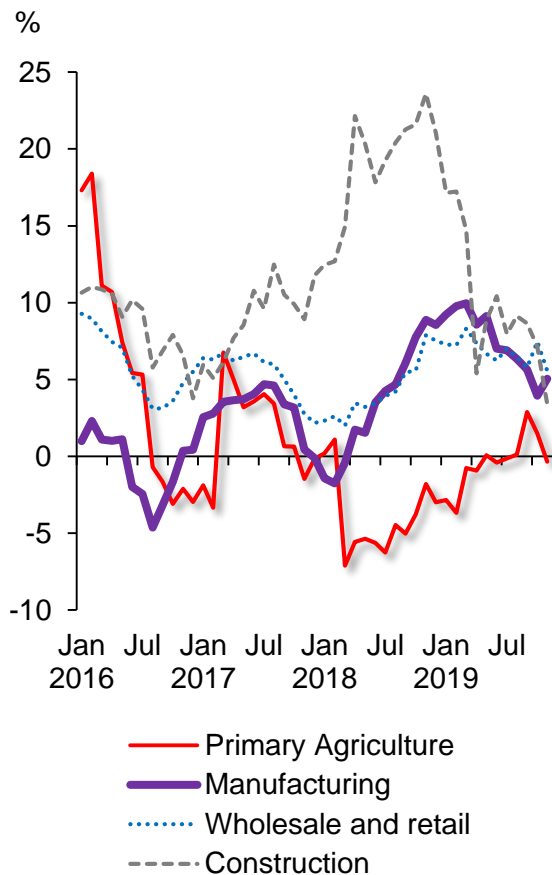
Source: DOSM; BNM

Lending barometer by sector

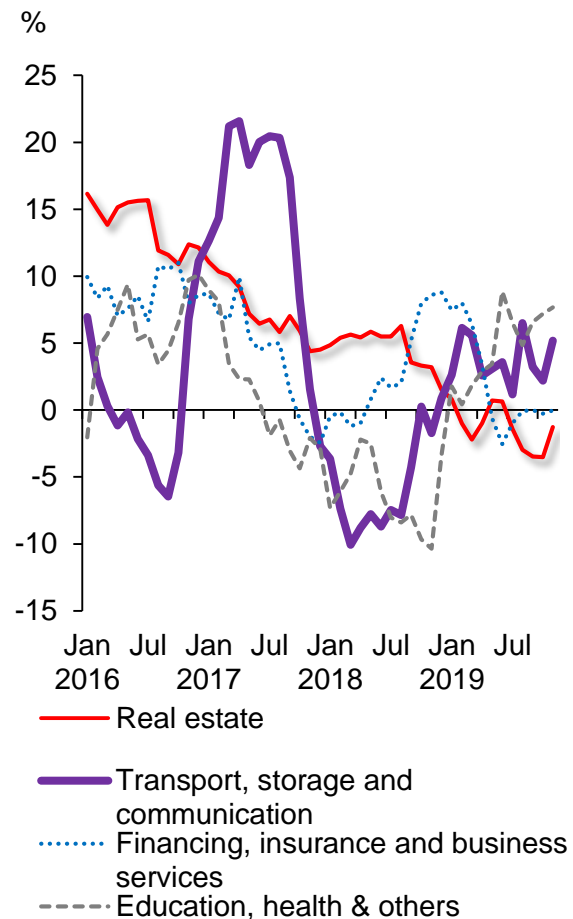
Softening loans growth for working capital



Construction, manufacturing as well as wholesale and retail sectors moderated



Real estate remains subdued; transport and communication still growing



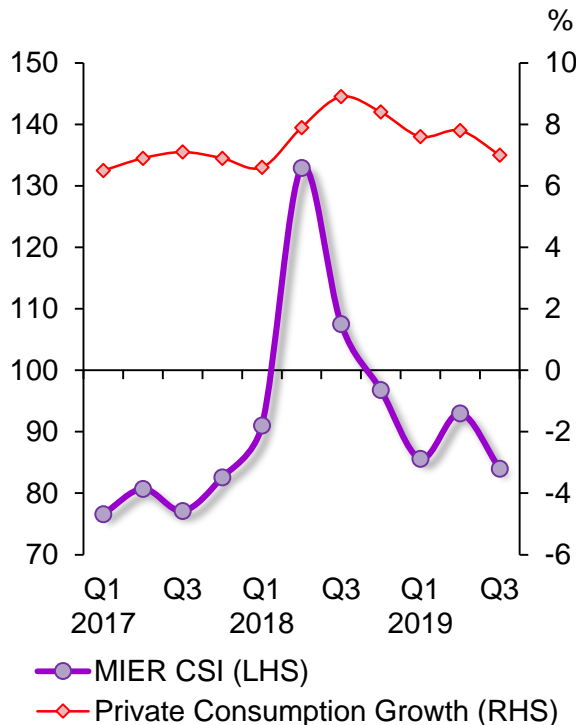
Note: Loan data for April 2018 onwards have been revised to include MBSB Bank Berhad.

Source: BNM

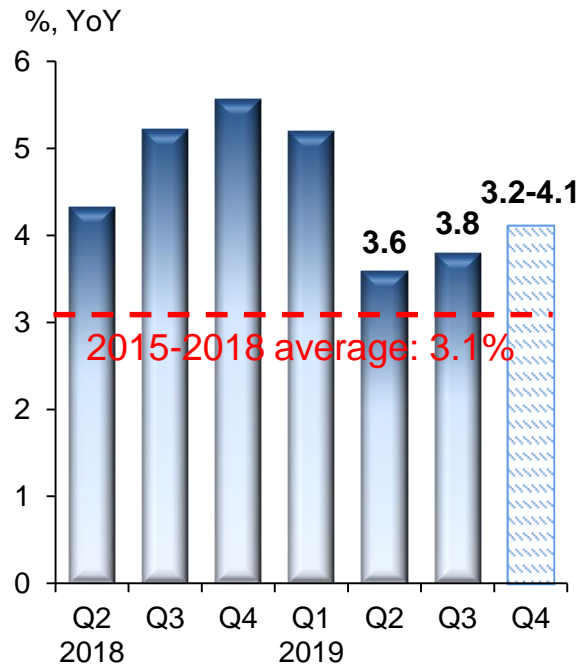
Slower consumer spending amid cautious sentiment

- Private consumption is the only leg propping up the economy.

Private Consumption vs. Consumer sentiment index (CSI)



Real private sector wage growth



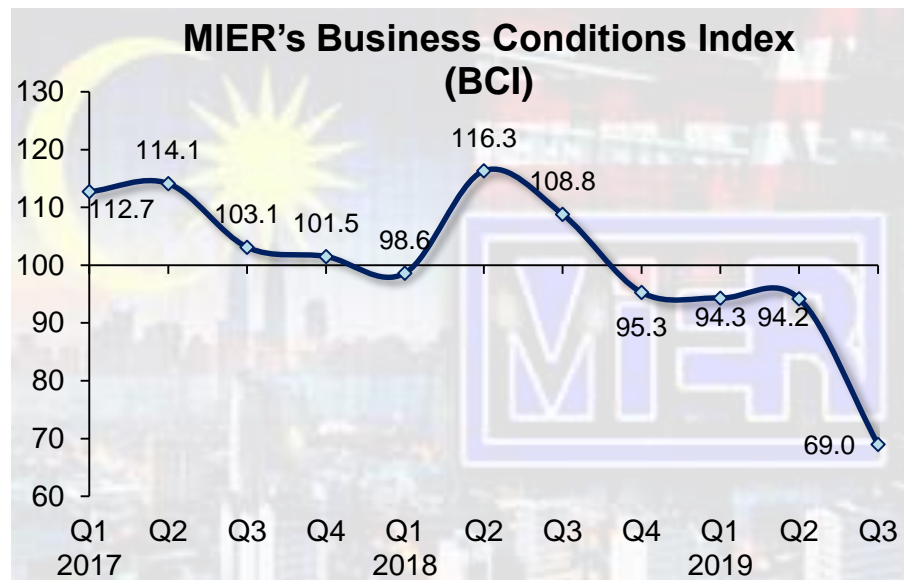
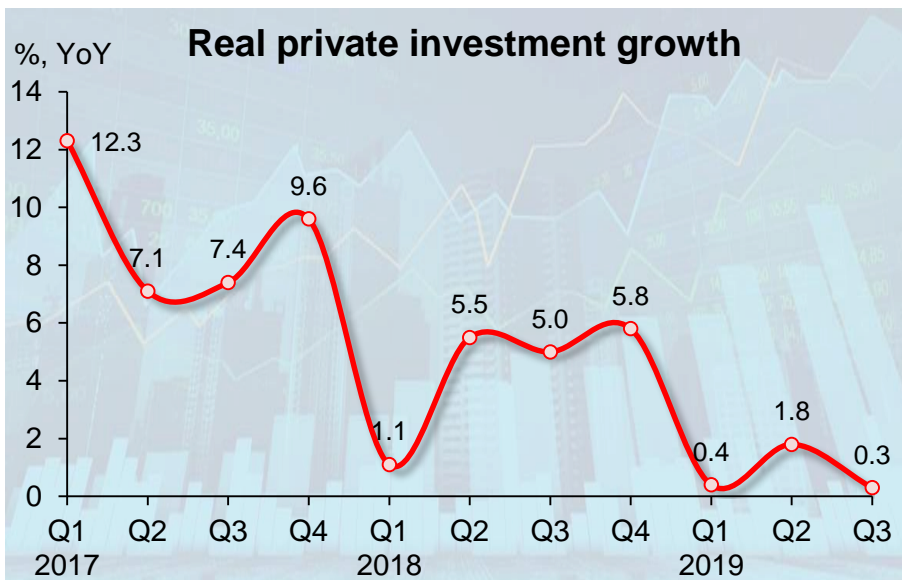
Consumer spending likely to **moderate to 6.7% in 2020** (estimated 7.2% in 2019) on cautious discretionary spending amid stable employment and moderate wage growth.

Note: Real private sector wages are derived from the nominal salaries and wages data, published in the Monthly Manufacturing Statistics and Quarterly Services Statistics by the Department of Statistics, Malaysia (covering 62.9% of total employment). The nominal private sector wages are then deflated by the consumer price index (CPI).

Source: DOSM; BNM

Slackening private investment growth is worrying

- Private investment momentum had moderated from 12.1% pa in 2011-15 to 5.9% pa in 2016-18. It grew at a subdued pace of 0.9% in Jan-Sep 2019.
- SERC expects **private investment to increase by 2.2% in 2020** (estimated 0.8% in 2019).



➤ Downside risks remain:



Concerns related to uncertain external environment, slower global growth and commodity prices volatility

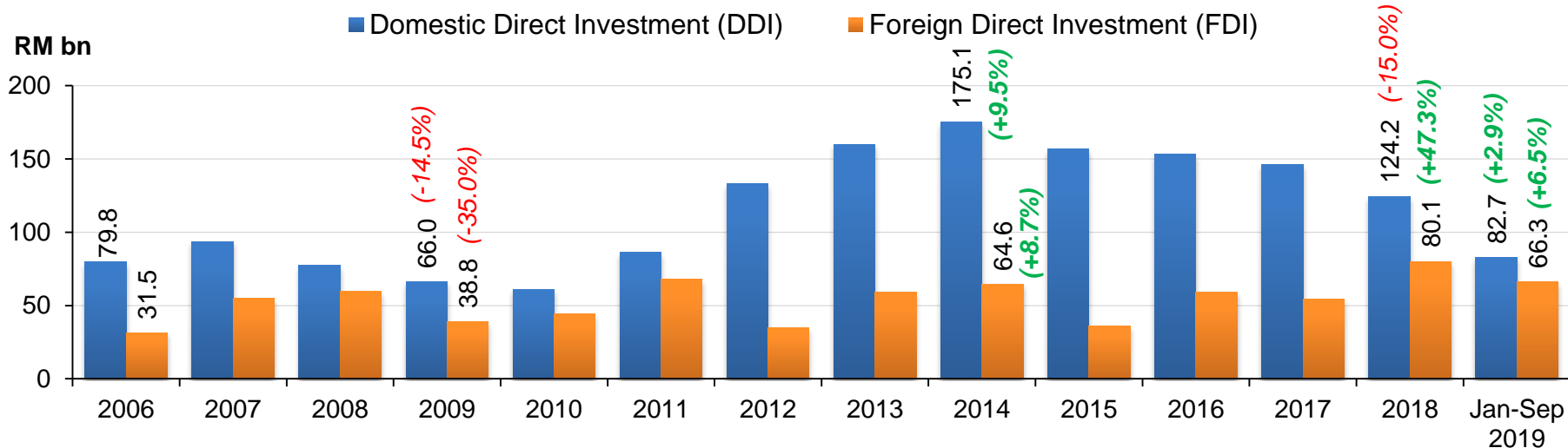
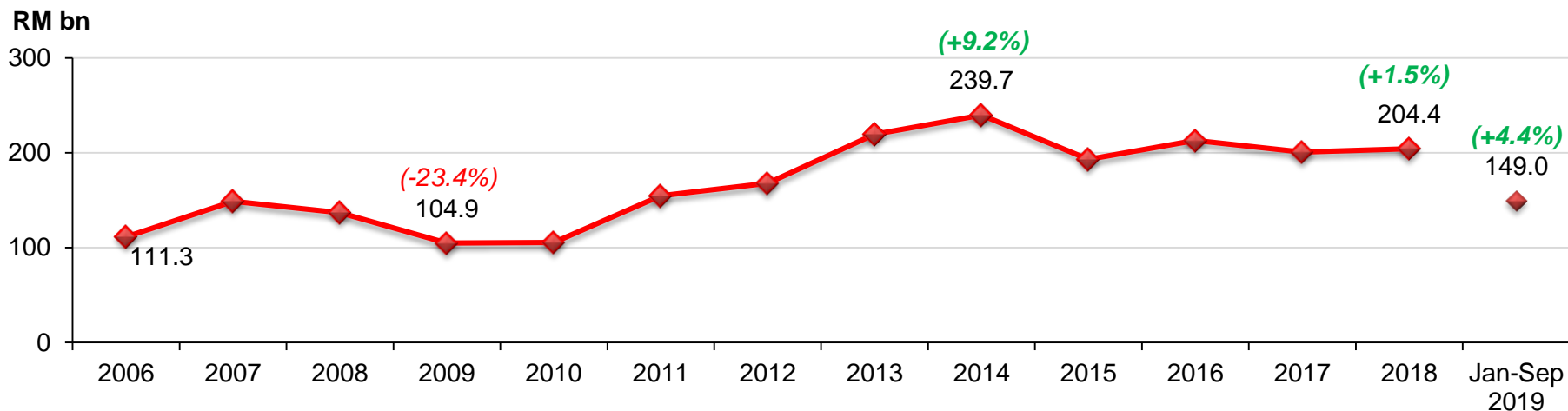


Challenging domestic business condition, lack of policy clarity; persistent weakness in the property segment, especially residential & commercial properties

Source: DOSM

Declining domestic investment approvals

Approved investment trend in Malaysia



Note: Figure in parenthesis indicates changes of investment amount on year-on-year basis.

Source: MIDA

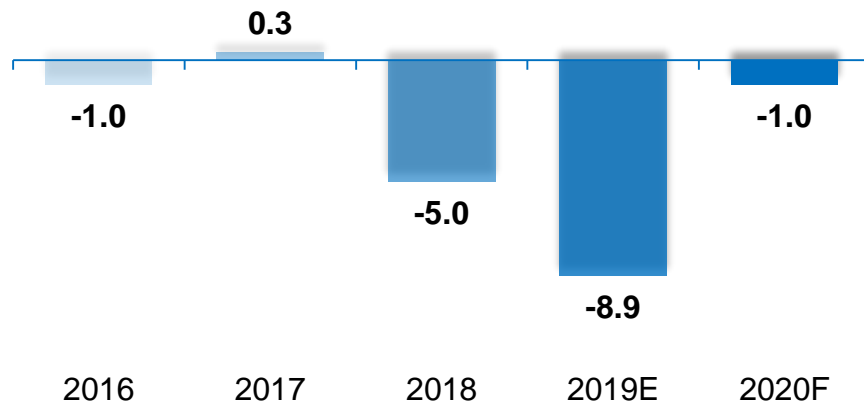
A smaller drag from public investment expected in 2020

- **Development expenditure (DE)** is budgeted to increase by **4.3% to RM56.0bn or 18.9% of total expenditure** in 2020 (RM53.7bn in 2019).
- Of the 2020 allocation, **RM53.2bn** is allocated for **4,744 ongoing projects** while **RM2.8bn** is for **722 new projects**.
- New projects in O&G industries (Kasawari Gas Development), ongoing projects (Floating LNG 2).
- MRT2, LRT3, LRT line extension and ECRL, Tekai hydroelectric and Pasir Gudang combined-cycle gas turbine; Pan Borneo Highway, airports expansion, Singapore–Johor Bahru Rapid Transit System (RTS Link).

Smaller contraction in public investment

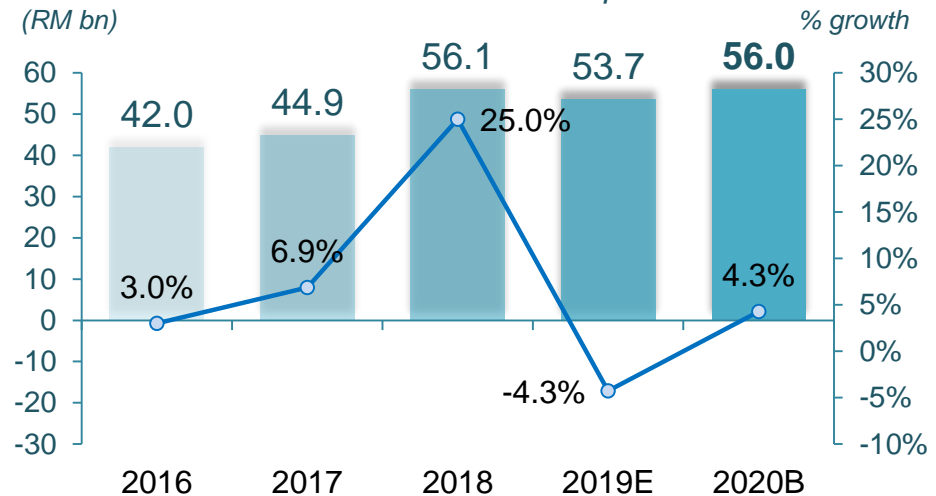
2020F: 6.1% share of GDP

(Annual Growth %)



Higher development expenditure

2020B: 18.9% share of total expenditure



Source: MOF; SERC

Where is the 2020's sources of growth coming from?



Services (2019E: 6.1%; 2020F: 6.0%)

% share of GDP in 2020F: 58.2%

- Supported by tourism related activities and accelerating growth of e-commerce.
- 5G-driven ICT; increase in bank lending and higher fee income; operation of new highways.



Manufacturing (2019E: 4.4%; 2020F: 3.9%)

% share of GDP in 2020F: 22.1%

- Benefit from global electronics supply chains following the US-China trade and technology dispute and uptick in electronics cycle.
- Domestic-oriented industries (consumer and construction-related clusters).



Agriculture (2019E: 4.6%; 2020F: 2.5%)

% share of GDP in 2020F: 7.2%

- Higher output of palm oil (2020: 22.2 mil tonnes vs. 21.0 mil tonnes in 2019); CPO average prices at RM2,100 per metric tonne in 2020 vs. RM2,079 in 2019; Higher demand (bilateral trade deal) from China.
- Higher production of rubber and food products (except aquaculture).

Where is the 2020's sources of growth coming from? (cont.)



Mining (2019E: 0.5%; 2020F: 0.8%)

% share of GDP in 2020F: 7.0%

- Strong demand from petrochemical industry; rising exports of LNG.
- Commencement of the North Malay Basin Full Field Development (FFD – Phase 2), Gorek, Integrated Bokor (Phase 3), Betty redevelopment projects.
- Crude oil subsector is expected to increase moderately, underpinned by the development of Anggerik FFD, Zetung FFD and Bayan Oilfield (Phase 2B and 2C).



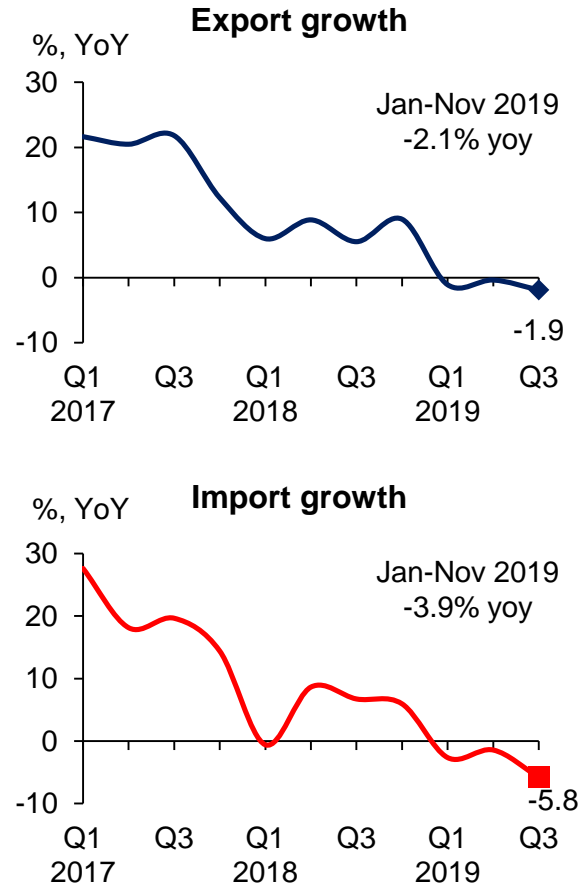
Construction (2019E: 0.8%; 2020F: 1.5%)

% share of GDP in 2020F: 4.7%

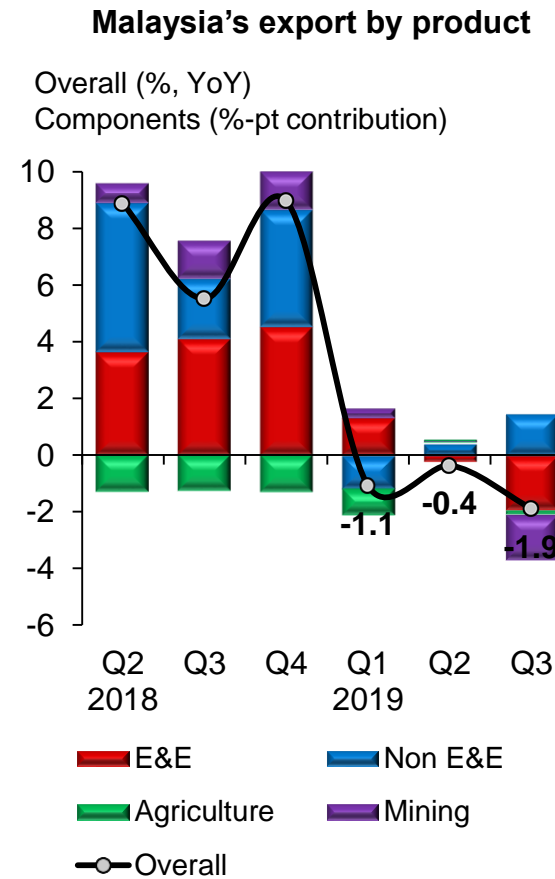
- Acceleration and revival of mega projects and building of affordable housing.
- Civil engineering segment: ECRL; MRT2; LRT3; Electrified Double Track Gemas-Johor Bahru; KVDT2; Central Spine Road; Pan Borneo Highway; and Coastal Highway in Sarawak.
- Non-residential subsector remains subdued, dragged by persistent overhang.

Exports to recover gradually in 2020 (+2.0% vs -1.5 to -2.0% in 2019)

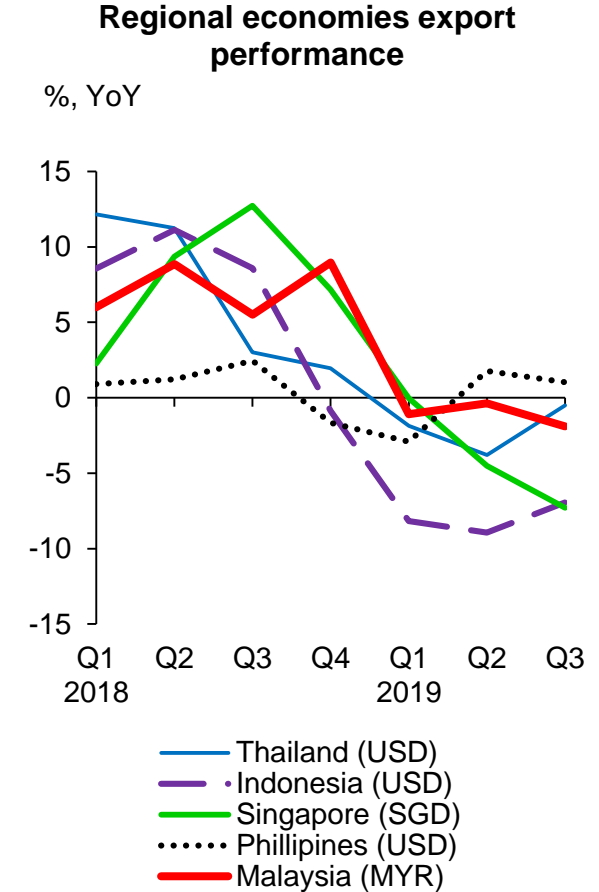
Lethargic exports growth



Diversified exports helped mitigating the impact of weaker E&E export growth

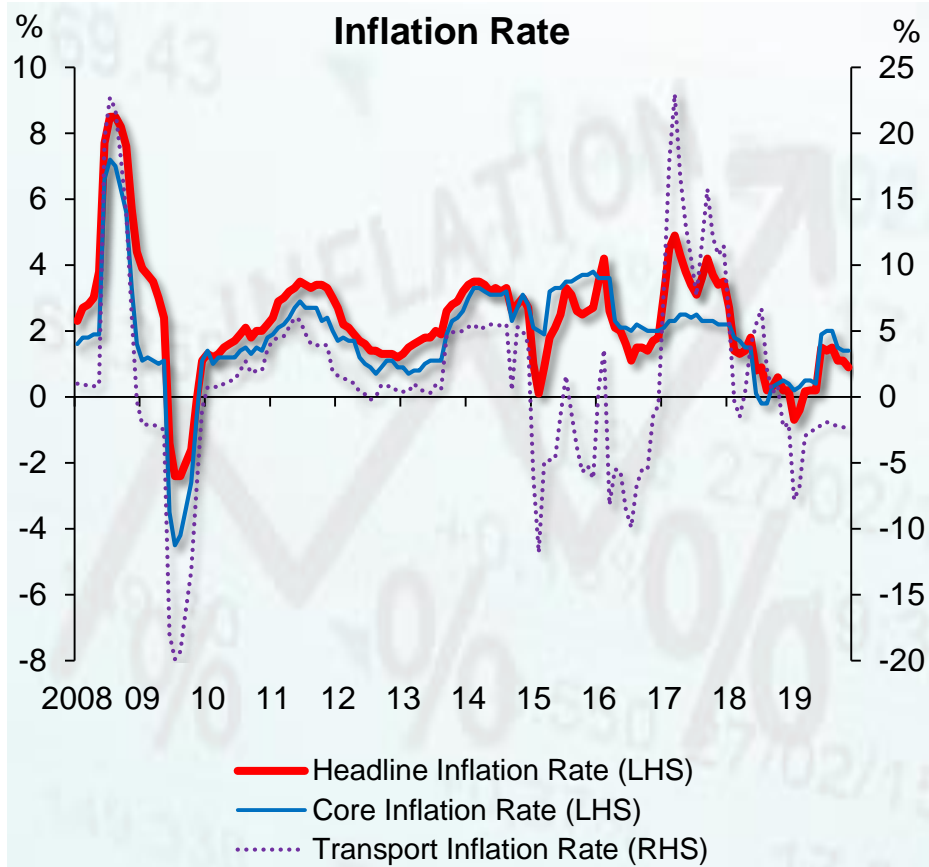


Malaysia's exports compared to regional economies



Note: Mineral products data taken is the data of mining products
Source: DOSM; Officials

Headline inflation will average higher in 2020



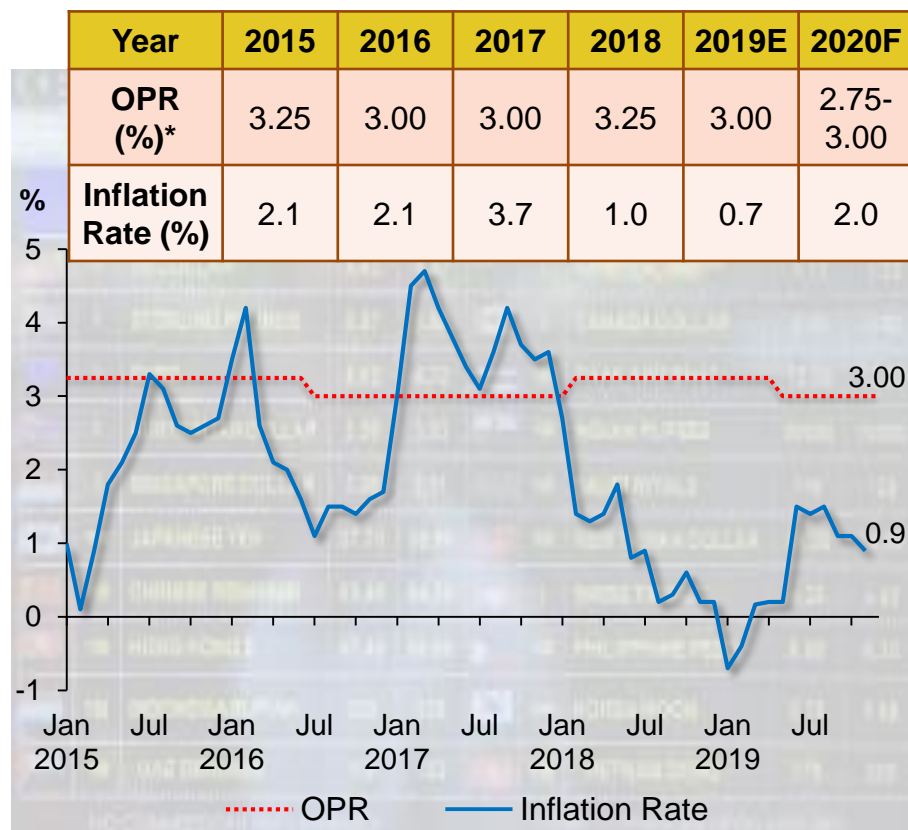
- **Headline inflation** normalised to 1.4%-1.5% in Jun-Aug 2019 and continued to soften to 1.1% in Sep-Oct and 0.9% in November (0.2% in 1H 2019). In Jan-Nov 2019, the consumer price index (CPI) increased by 0.6% yoy.
- Excluding the impact of changes in consumption tax policy, **core inflation** remained healthy at 1.4%-1.6% since Apr 2018.
- SERC expects **headline inflation to average 0.7% in 2019 and will pick up to 2.0% in 2020** due to some cost pass-through from domestic cost factors. These include:
 - Minimum wage
 - Digital tax
 - Potential increase in water tariffs
 - Crude oil and commodity prices development
 - Low-base effect in 1H 2019

Note: Core inflation in 2008-2014 excludes food and non-alcoholic beverages only.
Source: BNM; DOSM

BNM keeps rate cut door open

- BNM cut the overnight policy rate by 25 bps to 3.00% in May. SSR was reduced by 50bps to 3.00% effective 16 November.
- Reserve monetary arsenal while continue to assess the impact of rate cut on domestic demand.

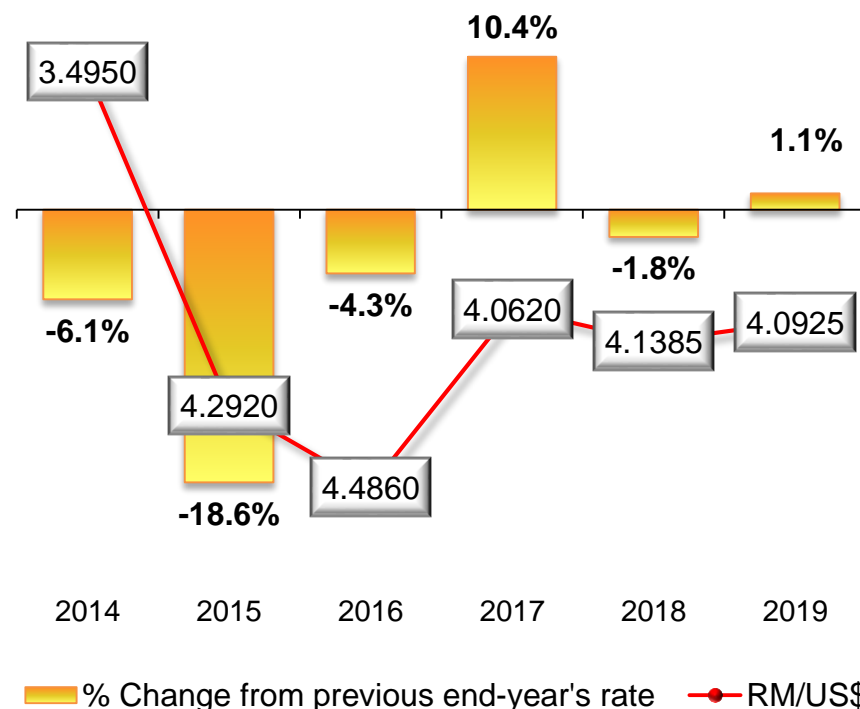
Inflation will average higher in 2020



* OPR as at end-year

Source: DOSM; BNM; SERC

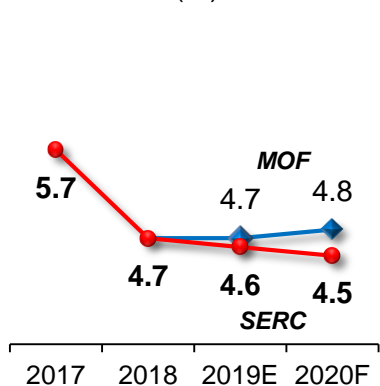
Ringgit outlook at RM4.00-4.05 per US dollar at end-2020



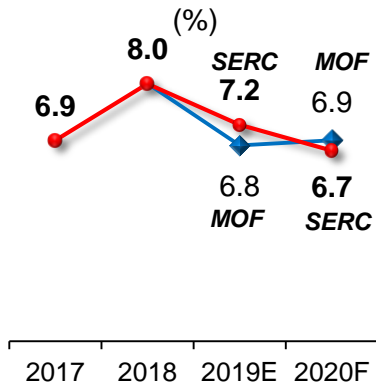
Note: Exchange rate (12:00 rate) as at end-period

Malaysia's key economic indicators

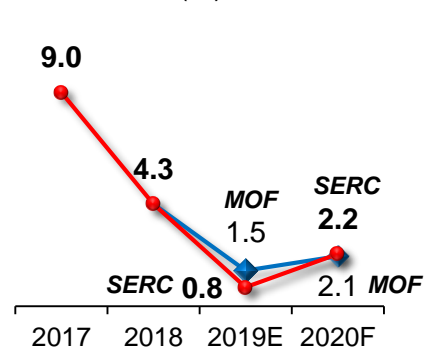
Real GDP Growth (%)



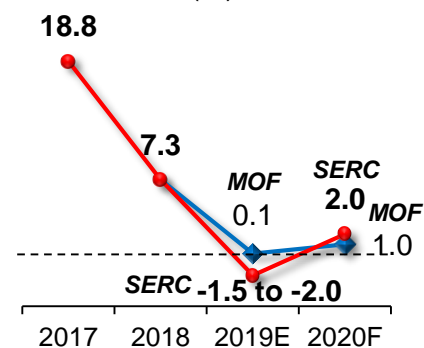
Private Consumption Growth (%)



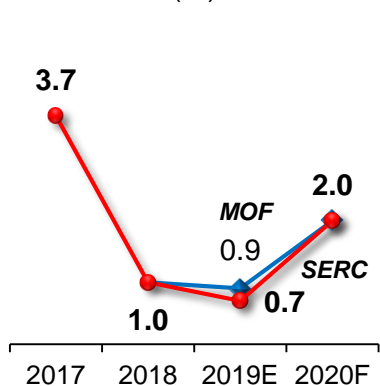
Private Investment Growth (%)



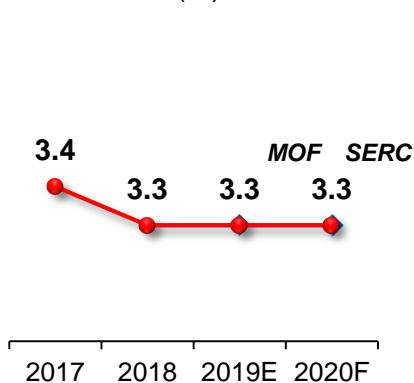
Gross Export Growth (%)



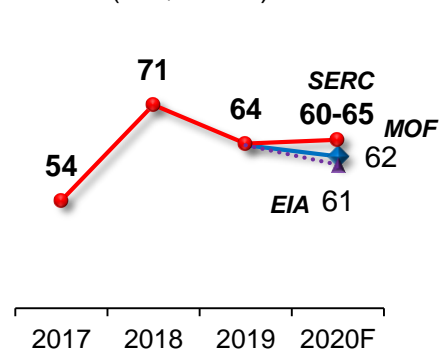
Inflation Rate (%)



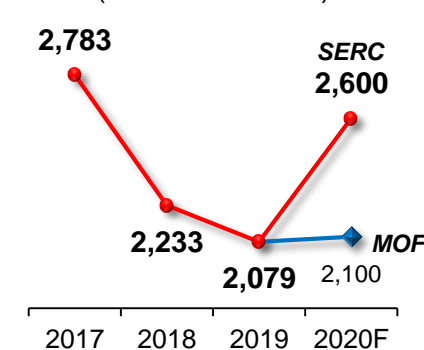
Unemployment Rate (%)



Brent Crude Oil Prices (US\$/barrel)



Crude Palm Oil Prices (RM/metric tonne)



Source: DOSM; EIA; MPOB; MOF; SERC

Sources of GDP growth in 2020: Demand and Supply side

- **Private consumption remains resilient**; public investment will decline marginally
- All economic sectors are expected to register **positive growth, albeit slower**

<i>% growth, 2015=100</i>	2017	2018	2019 Jan-Sep	2019E (MOF)	2019E (SERC)	2020F (MOF)	2020F (SERC)
GDP by demand component							
Private consumption (58.1%)	6.9	8.0	7.5	6.8	7.2	6.9	6.7
Private investment (16.8%)	9.0	4.3	0.9	1.5	0.8	2.1	2.2
Public consumption (12.1%)	5.5	3.3	2.4	2.0	2.7	1.5	2.0
Public investment (6.5%)	0.3	-5.0	-12.3	-8.1	-8.9	-0.6	-1.0
Exports of goods and services (64.3%)	8.7	2.2	-0.4	-0.4	-0.7	1.4	1.2
Imports of goods and services (56.7%)	10.2	1.3	-2.3	-2.1	-1.6	1.9	1.0
GDP by economic sector							
Agriculture (7.3%)	5.7	0.1	4.5	4.3	4.4	3.4	2.5
Mining & quarrying (7.3%)	0.4	-2.6	-1.2	0.6	0.5	0.3	0.8
Manufacturing (22.2%)	6.0	5.0	4.0	4.0	4.0	4.1	3.9
Construction (4.7%)	6.7	4.2	-0.3	1.7	0.8	3.7	1.5
Services (57.5%)	6.2	6.8	6.1	6.1	6.1	6.2	6.0
Overall GDP	5.7	4.7	4.6	4.7	4.6	4.8	4.5

Figure in parenthesis indicates % share to GDP in 2019E by MOF
Source: DOSM; BNM; SERC

Section 3

Malaysia in 2020

What are the priorities?



2020 Outlook



Malaysians



Businesses



Households



Investors



Stable Economic & Business Conditions

Strengthening:



Domestic Economic



Financial Resilience

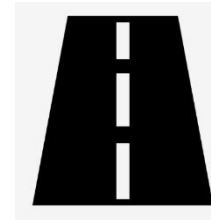
Against:



External Shocks

Aim:

Become a Developed High Income Nation – Shared Prosperity Vision



by 2024

2024

Challenges and Issues:

Raising productivity and capital efficiency through



innovation

improve workforce skill



reinvigorate private investment

Narrow regional growth disparity through



improve inclusiveness

address cost of living



bolster public finances

Priorities for the Government

Smooth Leadership Transition

- **Political stability** is a variable of great importance in building a coherent and continuous path for sustainable development.
- **Policy continuity** post leadership transition.
- Unstable political environment may **undermine investors' confidence, reduce investment and hinder the pace of economic development.**
- Put aside **rampant political bickering, conflicts and infighting.** Recognise and deal with issues arising from external headwinds and domestic structural weaknesses that are impacting the domestic economy.

Setting Clear Direction

- Investors and businesses want **3Cs (Clarity, Consistency and Continuity)** whilst maintaining a competitive and business friendly environment.
- The Eleventh Malaysia Plan (2016-2020) enters the last lap. The **Twelfth Malaysia Plan (2021-2025)**, which premises on the **Shared Prosperity Vision (SPV) 2030** will be unveiled in August 2020.
- The **New Industrial Master Plan** will be rolled out to shape, structure and direct Malaysia's industrial development in an era of digitalisation, advanced and smart technologies.



Deliver on All Remaining Unfulfilled Promises

- The PH will have to start **delivering on the remaining 40% of PH Manifesto** promises in time for the next general elections in 2023.
- At least, if the promises cannot be fulfilled, it must be explained to the people and provide a time-frame for their implementation.



Rectify the Weakness in Government's Communication

- **Effective communication strategy** is the utmost important channel to communicate with public on the issues and problems facing the nation.
- Show great interest in others that have valuable viewpoints, which the policymakers can listen to.
- We should practice two of Stephen Covey's great principles from his classic "The Seven Habits of Highly Effective People":
 1. Seek to understand before trying to be understood; and
 2. Look for a win-win solution.



Good and Timely Execution of Programs and Projects

- Take no chances to **cause a delay or slow in the disbursement of funds.**
- The fiscal multiplier with minimal leakages can affect the national economy via spending, consumption, and investment levels.
- The Federal government, Ministries and agencies must ensure that development expenditure allocated under the national budget will be used promptly and disbursed in a timely manner.

Addressing Burning Economic and Social Issues

- The National Action Council on Cost of Living (NACCOL) must lay out short-to medium-term action plans to ease the burden of high cost of living covering **food and necessities; transportation; healthcare, housing and education.**
- **Cost of living depends on two elements: Prices and income.** The “income-based” approaches helping to alleviate the burden of rising cost of living and raise the incomes of the poor through targeted cash transfers, tax breaks, and minimum wage and targeted subsidies for essential goods and services, including freezing of toll rates hike and unlimited rides on public transport (MRT, LRT and buses).
- **RM6.5 billion Malaysia@Work initiative** unveiled in Budget 2020, which will commence in stages from 2Q 2020 facilitated by Ministry of finance through the Employees Provident Fund (EPF).
- On the **targeted fuel subsidy**, which was put on hold from implementation on 1 Jan 2020, would exert fiscal pressure if oil price rises to high levels on a sustained period from the Budget’s oil price assumption of US\$62 per barrel.
- Based on current crude oil price of US\$68 per barrel, and retail consumption of about 1.2 billion litres of petrol monthly (up to 90% is subsidised RON95) as well as capping the pump price for RON95 at RM2.08 per litre, we estimate a subsidy of about RM0.27 per litre, this translates into about RM93 million fuel subsidy per week and RM4.8 billion per year.

Section 4

Surging Oil Prices

How it will impact Malaysia?

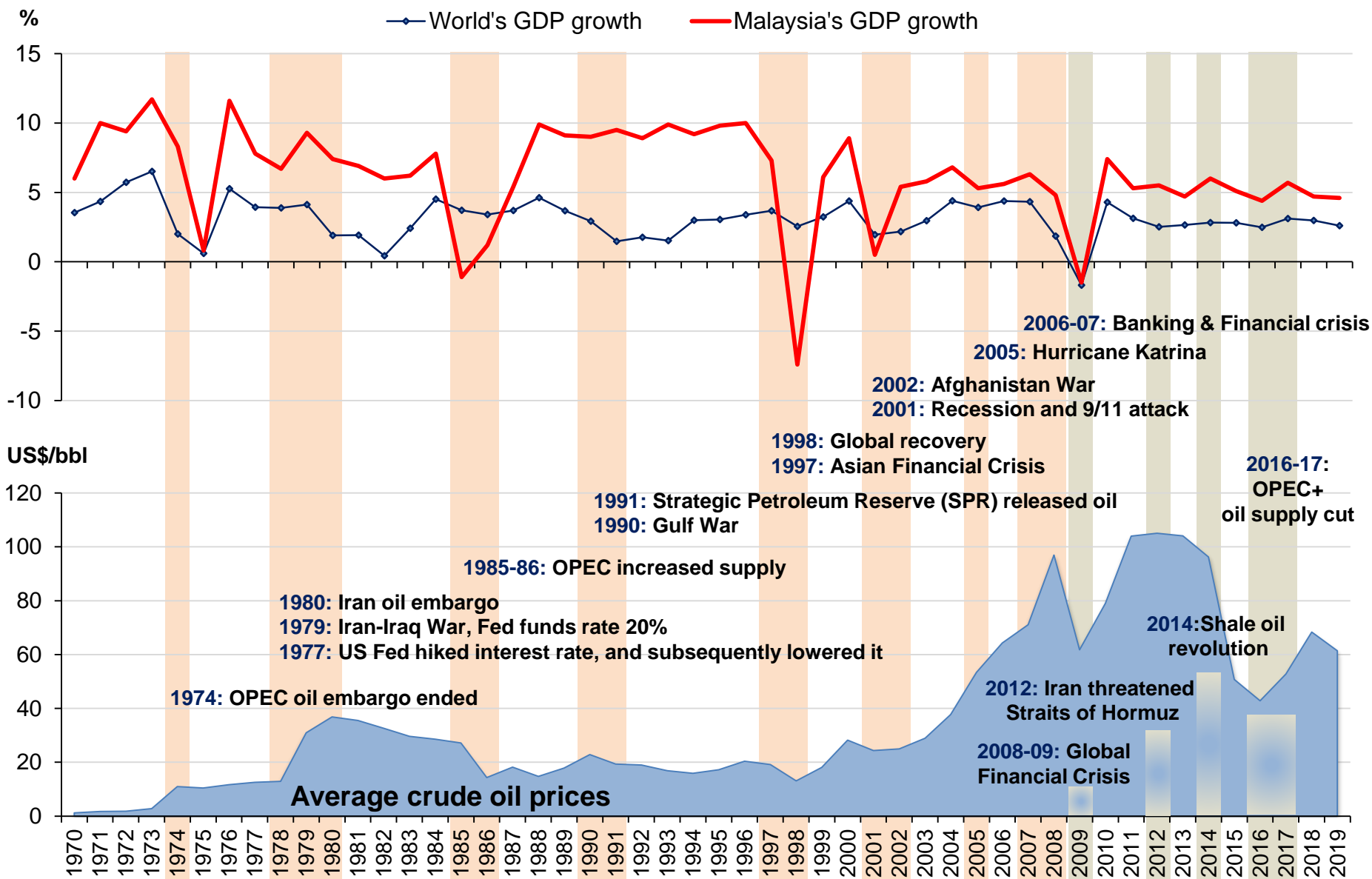


Preliminary observations on the US-Iran tensions

- A **sustained tensions rise** in the Middle East, inflicted by the US-Iran's conflict could have global repercussions through its effect on oil prices.
- Wide-ranging implications through **broad economic and financial shocks**.
- Geopolitical shocks have caused safe haven assets like gold and bonds to rally and oil prices surged to multi-month highs.
- Recent studies point to a **weakening relationship between oil prices and economic growth**.
- **Much larger effects of oil price shocks on inflation and real economic activity in 1970s** than in 2000s due to:
 - a. The **underlying shocks driving oil prices** (Supply vs. Demand shocks) as oil price increases induced by supply shocks have much more pronounced effects on the economy than those due to demand shocks; and
 - b. The **transmission of oil price shocks** can change with the **structure of the economy and policy framework**. For example, continued energy efficiency gains achieved.



Crude oil prices vs. World's & Malaysia's GDP growth trend



Source: World Bank; MEA; thebalance.com

Note: GDP for 2019 based on MOF's estimates

Average monthly crude oil prices

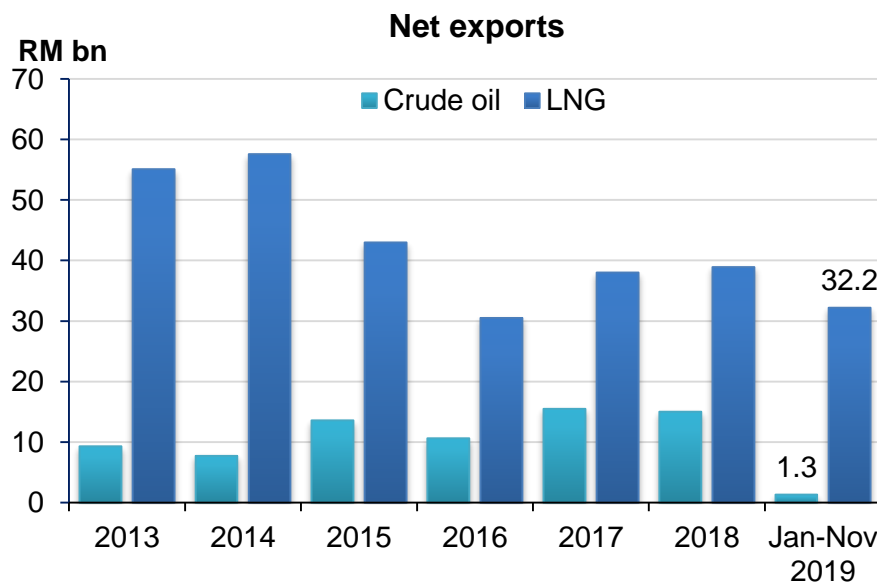
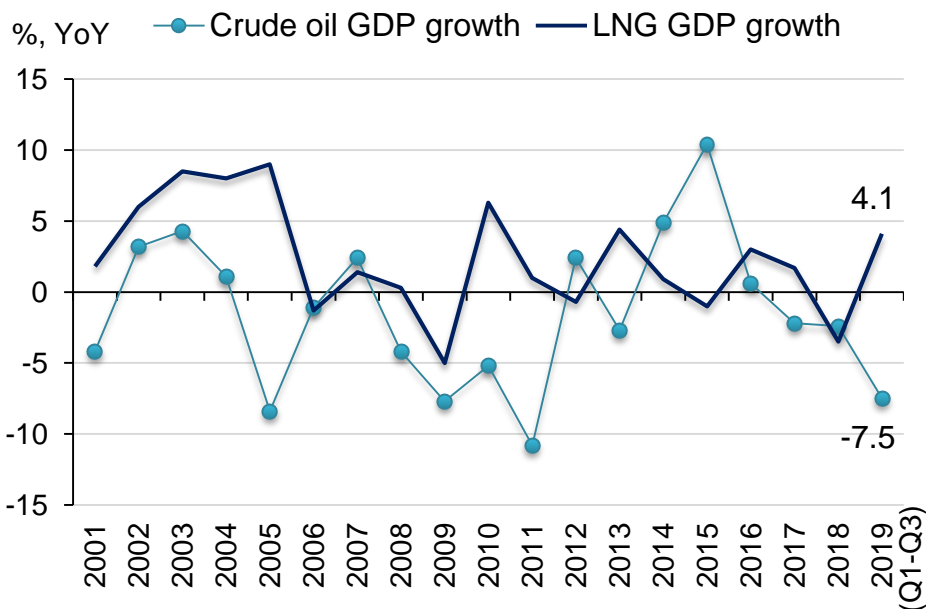


Source: World Bank

Shaded area represents major event(s) which led to oil price shock.

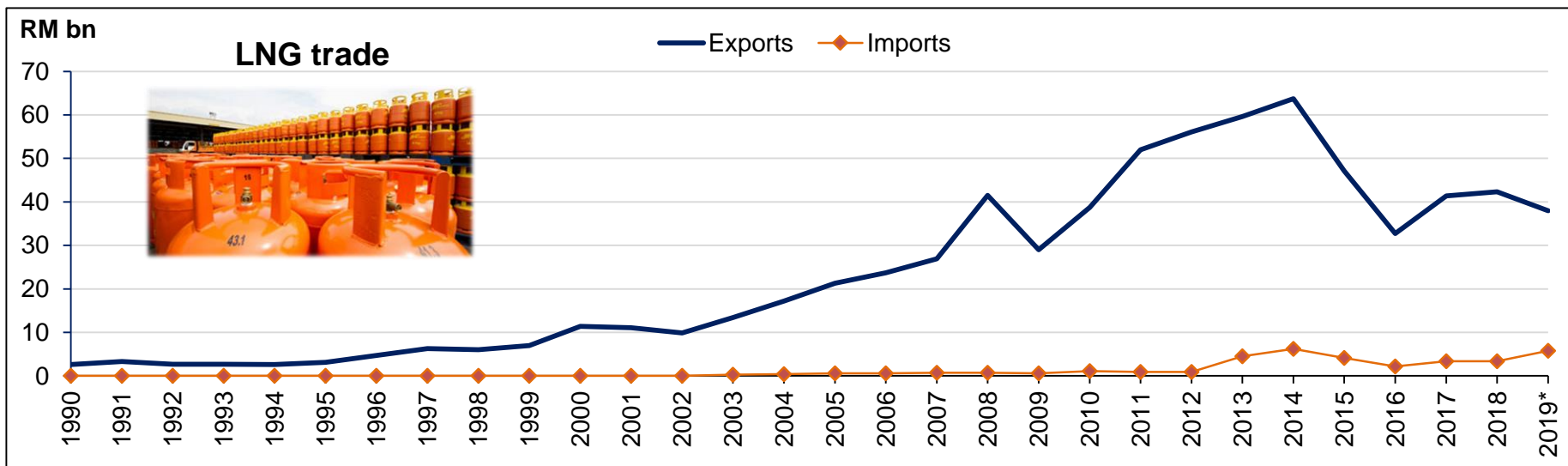
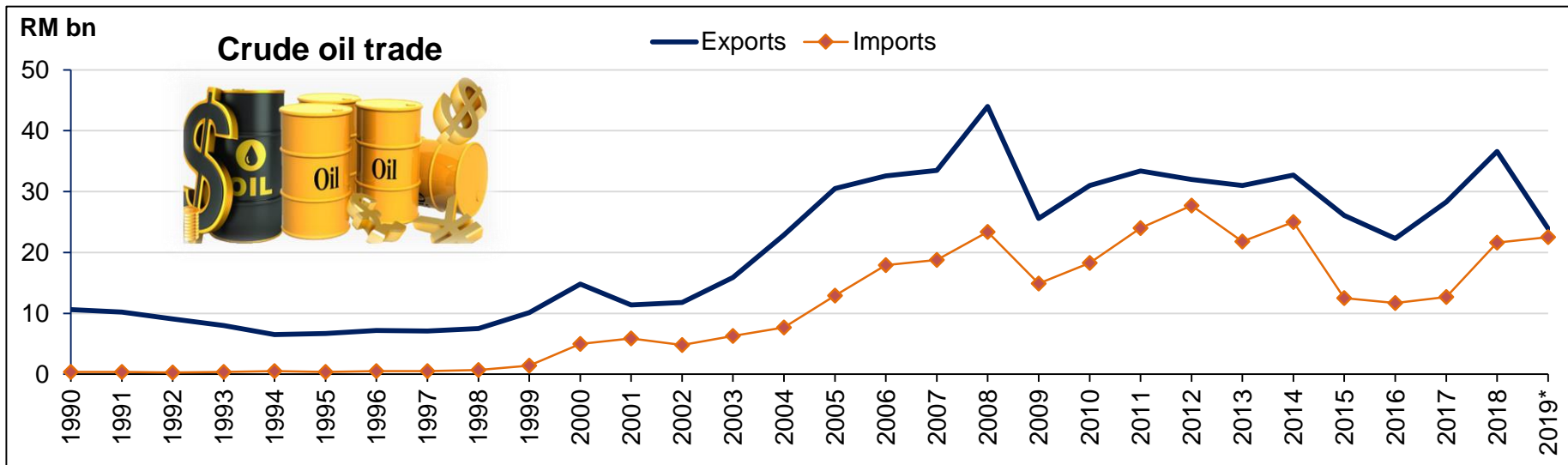
Contribution of oil and gas sector to the Malaysian economy

- **Mining exports** contributed only 8.7% of total national exports in 2018 (Jan-Nov 2019: 8.1%). **Crude oil** accounted for 3.7% of total exports (Jan-Nov 2019: 2.7%) and liquefied natural gas (**LNG**) accounted for 4.2% of total exports (Jan-Nov 2019: 4.2%).
- **Mining production** made up 7.6% of total GDP in 2018 (Q1-Q3 2019: 7.2%).
- **Investments in the mining sector** account for only 13.8% of the total investment.
- **Oil and gas** made up 43.6% of trade balance in 2018 (Jan-Nov 2019: 26.9%).
- In 2018, crude oil's trade balance was 1.0% of total GDP while for LNG was 2.7% of GDP.



Source: DOSM

Crude oil and LNG are major foreign exchange earners

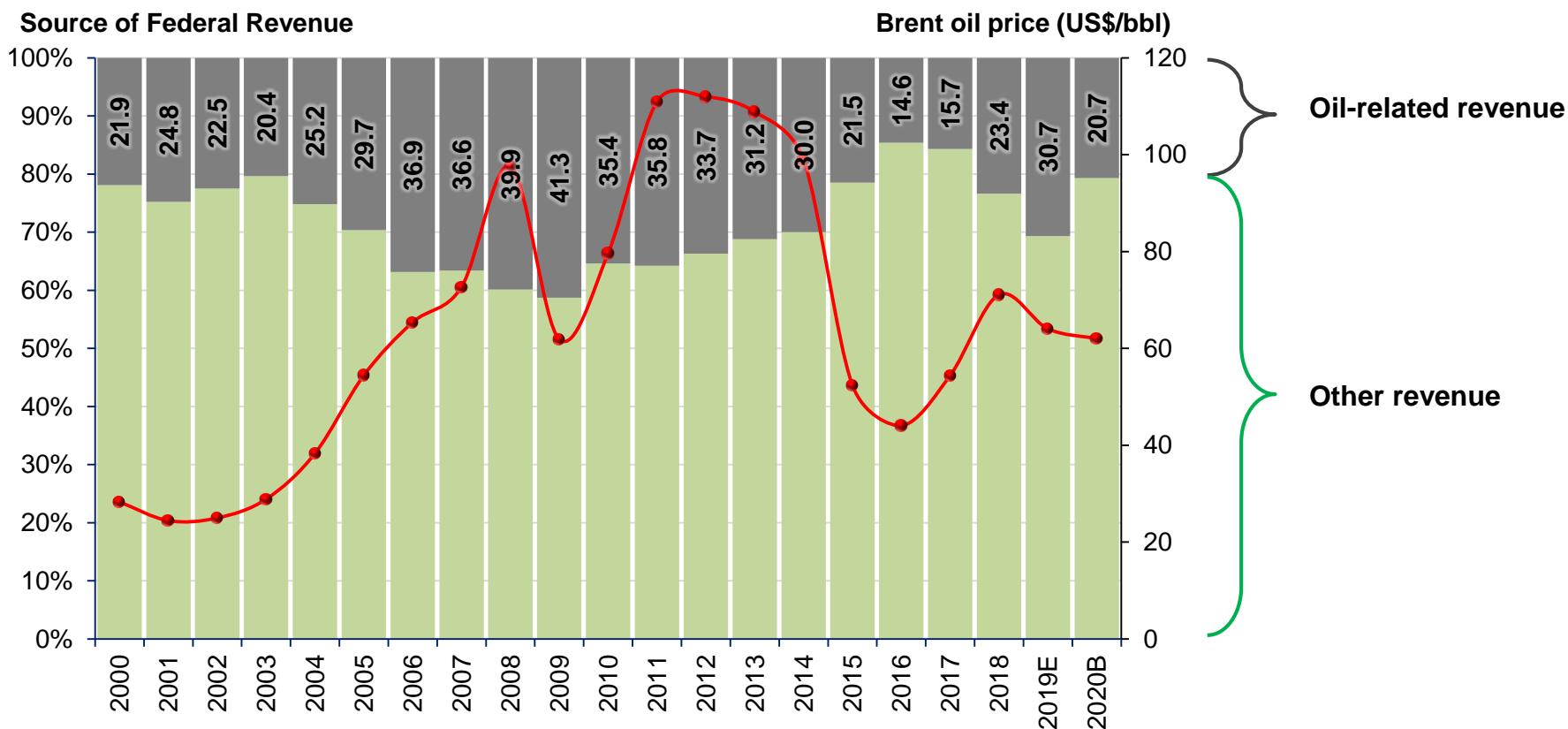


* refer to Jan-Nov 2019

Source: DOSM

Contribution of oil-related revenue to Federal revenue

- Oil-related revenue in Budget 2020 is based on the assumption of crude oil prices at US\$62 per barrel.
- Oil prices volatility on a sustained basis would affect the overall budget, e.g. The recalibration for 2015 Budget and 2016 Budget.



Source: MOF

Quantifying the impact of oil price increases

First order impact: Positive on exports and oil-related revenue

- For every US\$1 increase in oil price, it will generate RM300 million revenue (petroleum income tax and petroleum royalty)
- Petronas dividend in 2020: RM24 billion
- Fuel subsidy on RON95: Estimated RM93 million per week @ RM4.8 billion per year on retail pump price of RM2.35 per litre against the subsidised level of RM2.08 per litre
- Headline inflation: Depend on the quantum of fuel price subsidy and the pass-through. Fuel carries a weightage of about 8.5% in transport category of the CPI basket



Second order impact: Moderately negative via slowing exports

- The oil shocks dampen the already slowing global economy
- Increase in operation cost and tighter financial conditions
- Trade growth may be impacted amid the receding trade tensions

Quantifying the impact of oil price increase (cont.)

Overall net impact on the Malaysian economy – Moderately small

- Domestic demand needs to hold up to mitigate the external headwinds
- Fiscal spending has to be implemented timely and efficiently
- Growth drivers
 - a. Services – Domestic spending related to tourism, e-commerce and 5G
 - b. Construction – Revival of ECRL, LRT3 and on-going projects (MRT2, Pan Borneo Highway) as well as socio-economic projects
 - c. Manufacturing – Moderate recovery in semiconductor sales, especially wireless technology in 5G; construction-related building materials



Section 5

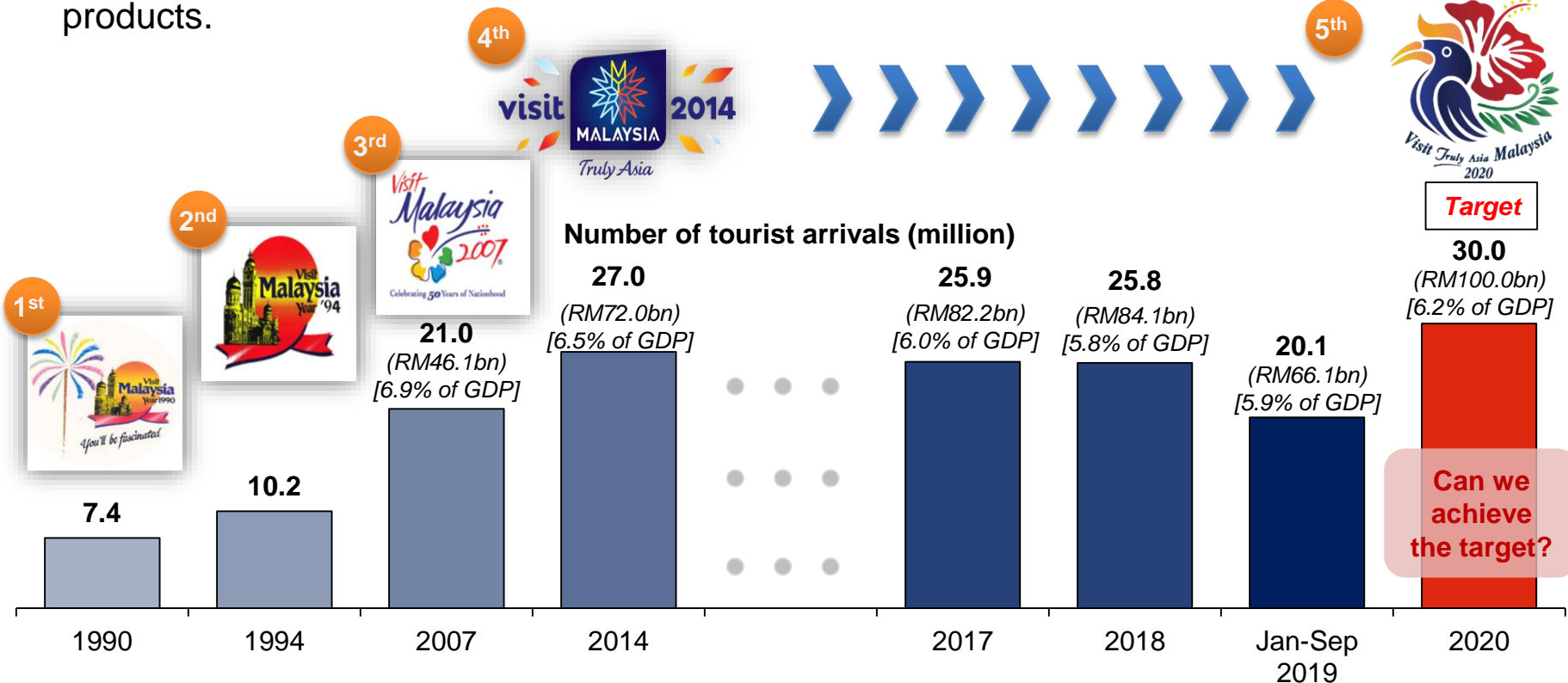
Visit Malaysia Year (VMY) 2020

Plucking the low hanging fruits



The Visit Malaysia Year (VMY) 2020 targets 30 million tourist arrivals and RM100 billion tourist receipts

- According to the World Travel and Tourism Council (WTTTC), travel and tourism activities in Malaysia has accounted for 13.3% of GDP in 2018 and contributed 11.9% of total employment.
- The numbers of tourist arrivals to Malaysia are stagnating in the recent years while neighbouring countries are catching up fast and continuously refine their offerings of tourism products.

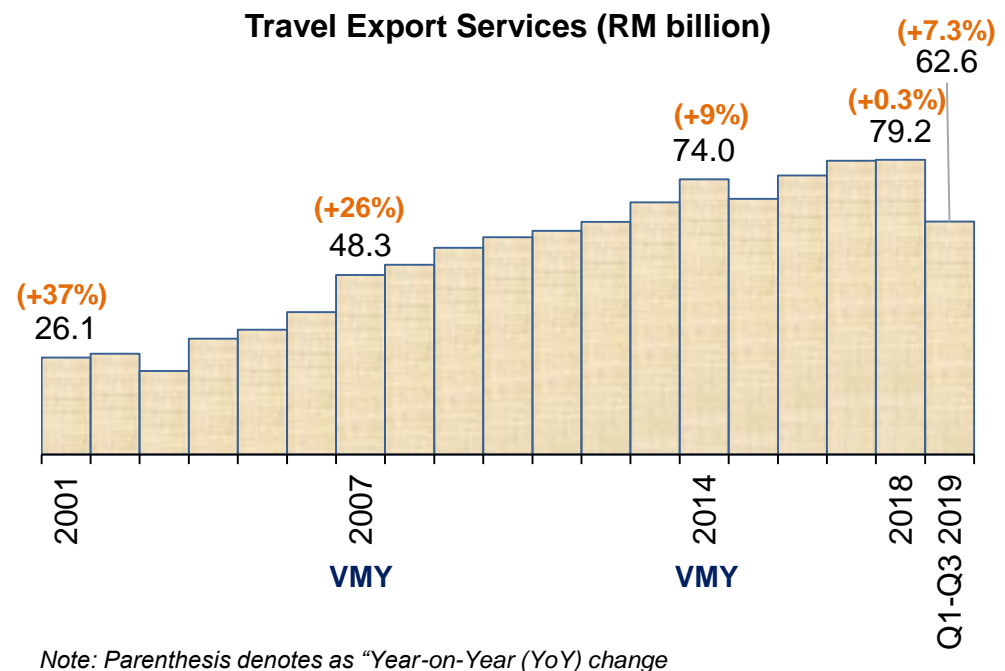
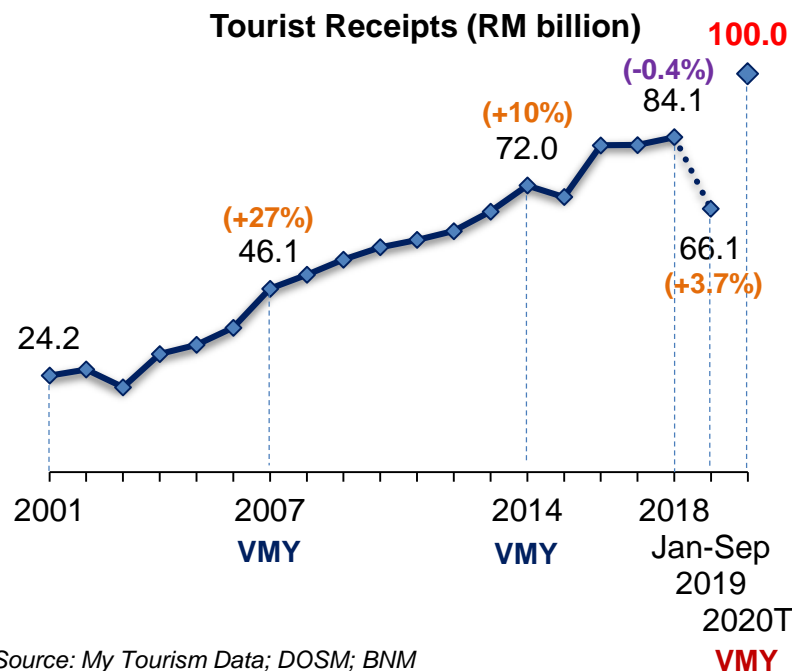


Source: My Tourism Data

Note: Figure in parenthesis indicates tourist receipts and % to nominal GDP.

Tourism a major source of foreign exchange earnings

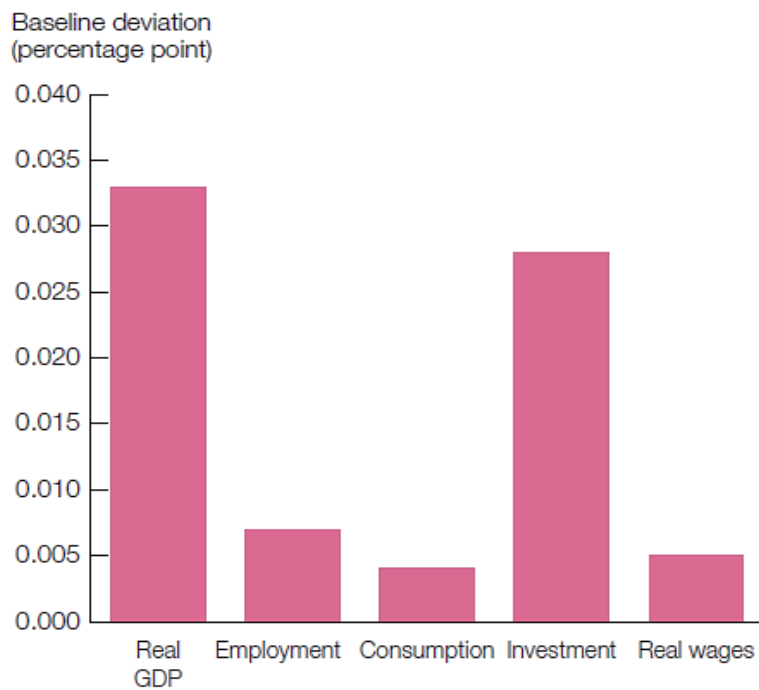
- Key contributor in **services current account**: RM79.2 billion of forex inflows in 2018.
- In terms of GDP, **tourism-related services** (wholesale, retail trade, accommodation, food and beverages, transport and storage as well as information and communication) made up **27.8%** of total GDP.
- ACCCIM M-BECS: **78.2%** of respondents indicated that “**Malaysia has not harnessed the full potential of tourism**” while **81.0%** of respondents concurred that “**Malaysia’s tourism is lagging behind its neighbours**”.



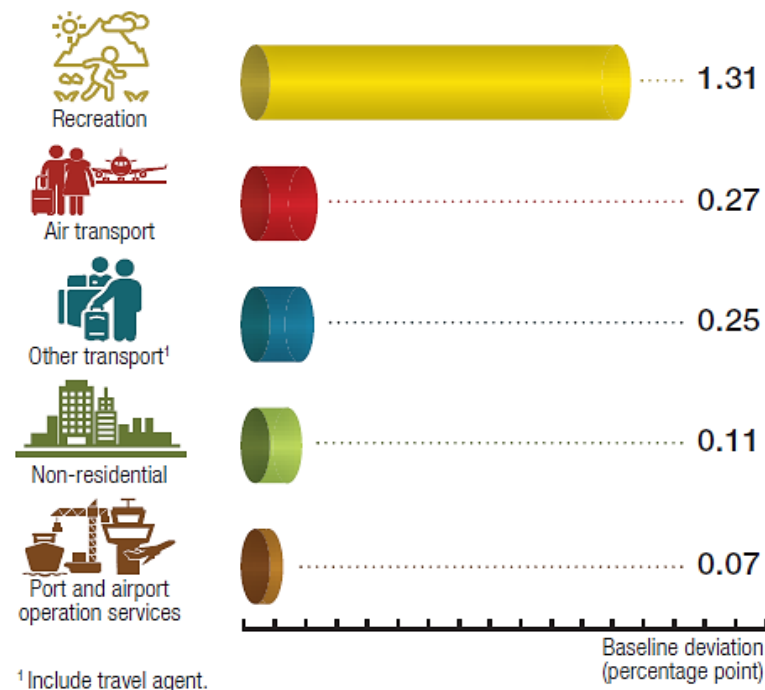
Malaysia should step-up to attract higher tourist arrivals

- According to a Dynamic Computable General Equilibrium analysis¹, a **10% increase in tourist arrivals will contribute to higher GDP by 0.033 percentage points and employment by 0.007 percentage points.**
- With greater inter-sectoral linkages, some industries such as recreation and air transport will benefit indirectly from the expansion of the tourism industry.

Macro Result, 2020



Industries Benefitting from Tourism, 2020



¹ Reported in MOF's Economic Outlook 2020

Source: MOF

Harnessing the low hanging fruits

- As Malaysia will be hosting several international conferences, namely **Asia-Pacific Economic Cooperation (APEC) and World Congress on Information Technology (WCIT) in 2020**, 2020 is the year to attract more tourist arrivals. The Government should sharpen the promotion approaches amid improve the tourism experiences.
- The extension of **visa-free passes to China and India** tourists till end-2020 is a positive move. Several immediate measures are recommended:



Further enhance the **effectiveness of tourism promotion, marketing and branding, prioritise the tourism sector** compared to other initiatives, particularly enhancing eco-tourism appeal as well as targeting quality spending tourists from China and Middle-East.



Restore the country's reputation through more publicity and stepping up the surveillance of tourists' travelling safety. Malaysia has low ranking in terms of safety and security (ranked 91st) as well as overall cleanliness and hygiene (ranked 108th).



Front-services counters at airports must be enhanced with the support of well-staffed and offer friendly services as well as can speak a few languages.

Harnessing the low hanging fruits (cont.)



Local authorities and municipal councils should be **more flexible for night time activities** as some tourists like to have fun and activities in city until late hours.



Increase budget hotel's revenue threshold subjecting to SST from RM500,000 to RM1.5 million to improve their competitiveness.



Increase the **supply of quality tour guides** to serve the higher number of tourists, conduct a short and simplified course for part-time tour guides to take care of tourists from China.



Organise mega food fiesta in major states to showcase colourful diversity of Malaysian food culture. Some nationwide food hunting tours to drive Malaysia as a food heaven.



Ease congestion in Malaysia-Singapore causeway as tourist arrivals growth from Singapore has been slowing/declining in recent years.



社会经济研究中心
SOCIO-ECONOMIC
RESEARCH CENTRE

谢谢
THANK YOU

Address : 6th Floor, Wisma Chinese Chamber,
258, Jalan Ampang, 50450 Kuala Lumpur, Malaysia.
Tel : 603 - 4260 3116 / 3119
Fax : 603 - 4260 3118
Email : serc@accimserc.com
Website : <http://www.accimserc.com>