



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

QUARTERLY ECONOMY TRACKER
(APR-JUN 2020)

Getting the Economy Back on Track

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Executive Director
9 July 2020

Outline



Predictions of the World Economy Post COVID-19 Pandemic



Malaysia's Post- MCO Recovery Tracker



Rebooting Malaysia – Recovery, Revitalise and Reform

Predictions for the Global Economy

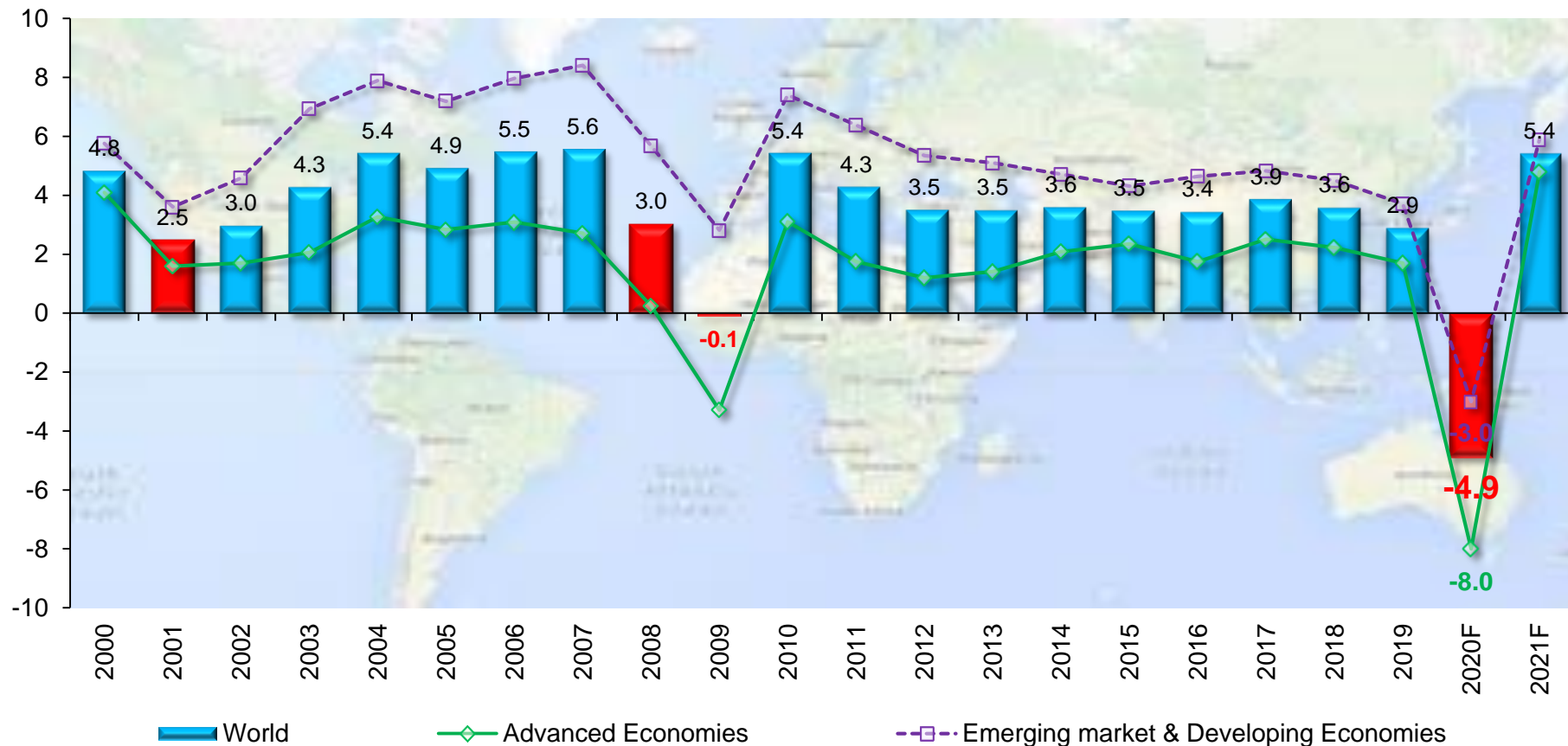
As the global economy emerges from COVID-19 pandemic, governments are grappling with policies how to move forward, how to recover growth, how much structural adjustment to make and how long to maintain the financial support?



“Extraordinary Uncertain” path to global recovery




- An uneven and gradual recovery
- Global activity in 1H 2020 has experienced a sharp and synchronized contraction greater than anticipated
- The question is how effective the policy countermeasures to limit economic damage?

Real GDP Growth (%)



Source: IMF (WEO Update, Jun 2020)

Global Growth Scenarios for 2020-2021*

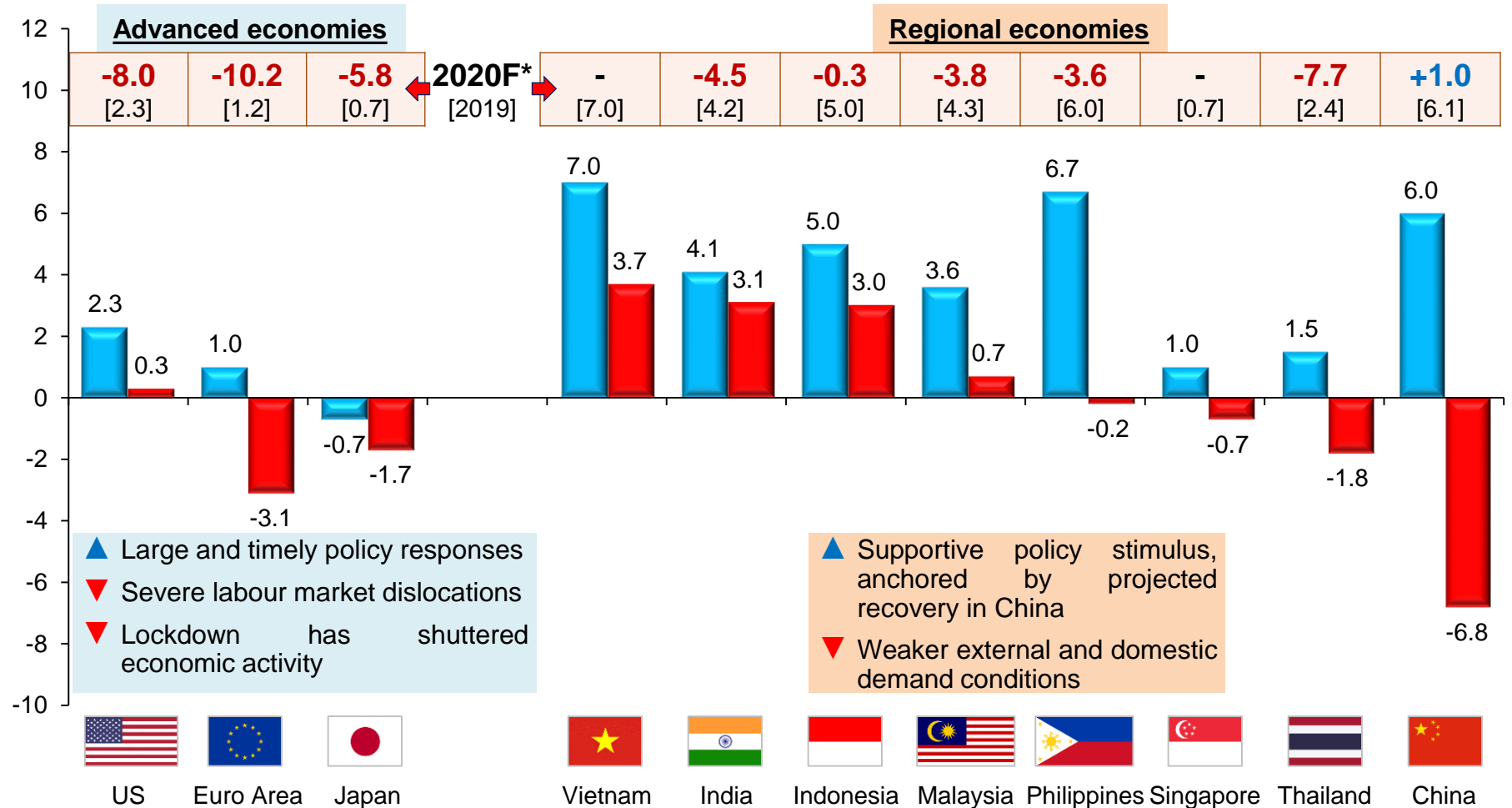
Scenario	Projected global GDP growth in 2020	Projected global GDP growth in 2021
<p>Upside</p>  <ul style="list-style-type: none"> • Global growth stabilisation and recovery. Disruptions from pandemic fade in 2H • COVID-19 outbreak is contained in 2H 2020. Hopeful vaccine will be found in 2021 • Monetary and fiscal stimulus are working 	0.5%	5.0%
<p>Base Case</p>  <ul style="list-style-type: none"> • Global stabilisation and moderate recovery in 2H 2020 • A prolonged COVID-19 outbreak, disrupted supply chains, financial turbulence; geopolitical shocks • Monetary and fiscal stimulus are working 	-3.0%	4.5%
<p>Downside</p>  <ul style="list-style-type: none"> • Deeper global recession • Deepening impact from a prolonged COVID-19 outbreak • Ineffective monetary and fiscal policy stimulus • Sharp correction in global equities and commodities market 	-5.0%	2.0%

* SERC's estimates

Global economic contraction – What has happened so far?

Real GDP growth (% YoY)

■ 2019 Q4 ■ 2020 Q1



* IMF, World Economic Outlook Update, Jun 2020
 Source: Officials (unadjusted data except Euro Area); IMF

Decoupling of real economy from stock market

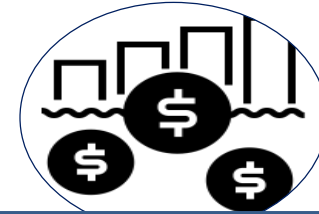
Extraordinary interventions by governments and central banks



KEEP the system from imploding



KEEP people who've lost jobs from real desperation



STOP companies' liquidity problems and sovereignty problems

A V-shaped recovery in stock market but not for global economy



Three indicators to ascertain the strength of recovery

1

CONSUMER SENTIMENT AND SPENDING

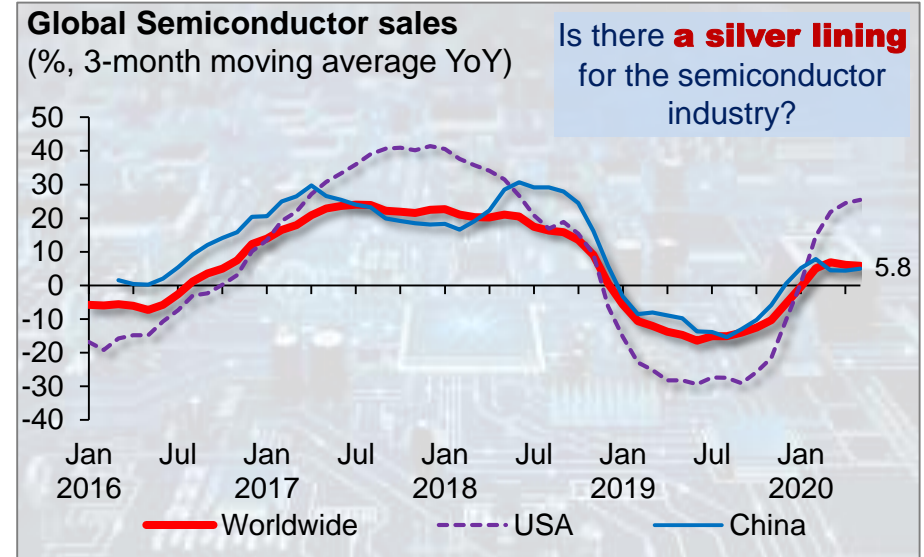
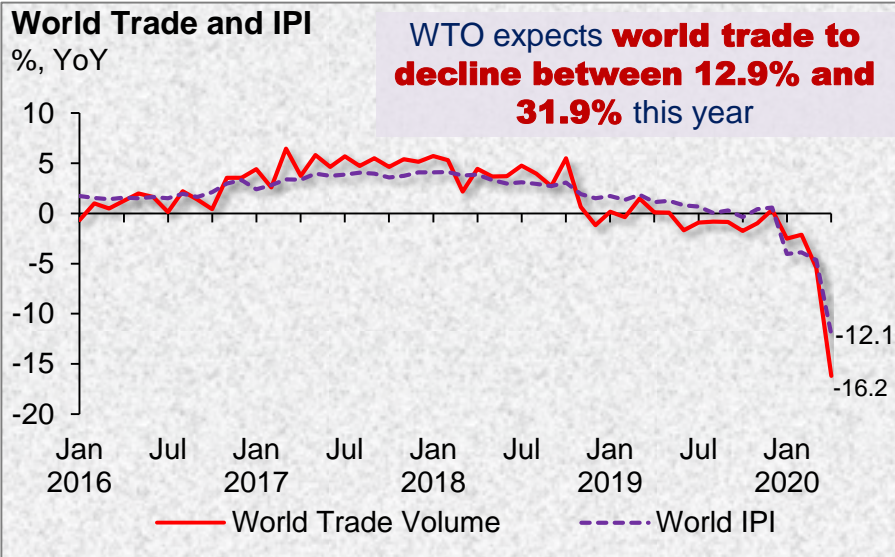
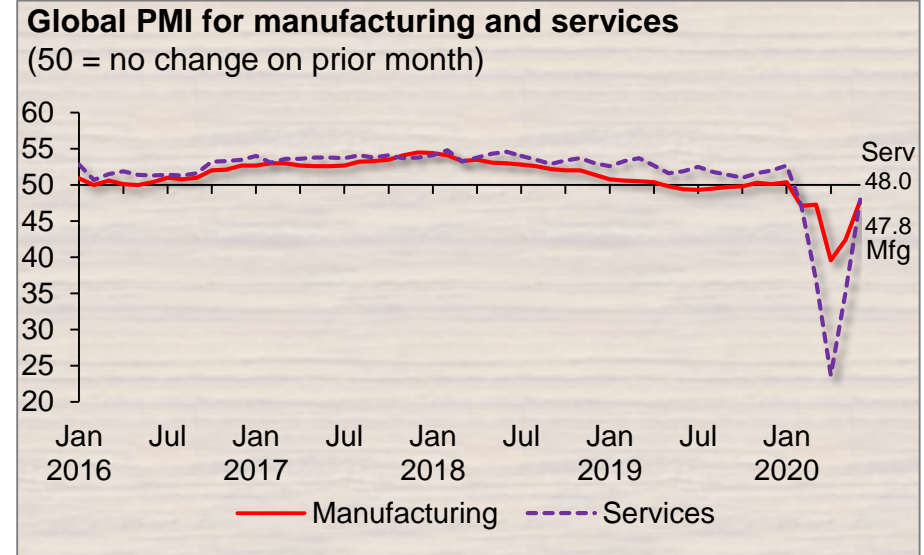
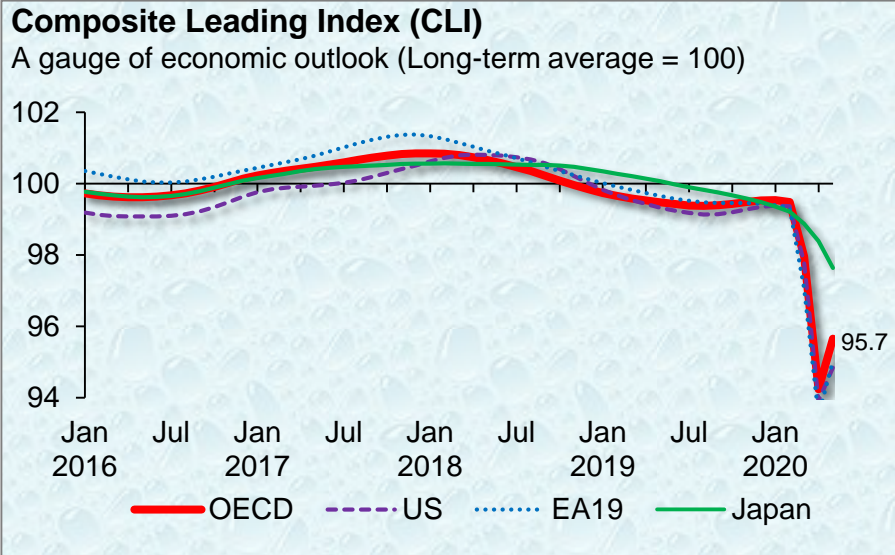
2

UNEMPLOYMENT AND WAGE GROWTH

3

PURCHASING MANAGERS' INDEX (PMI) FOR MANUFACTURING & SERVICES

High-frequency data suggest steepest economic slump has bottomed out

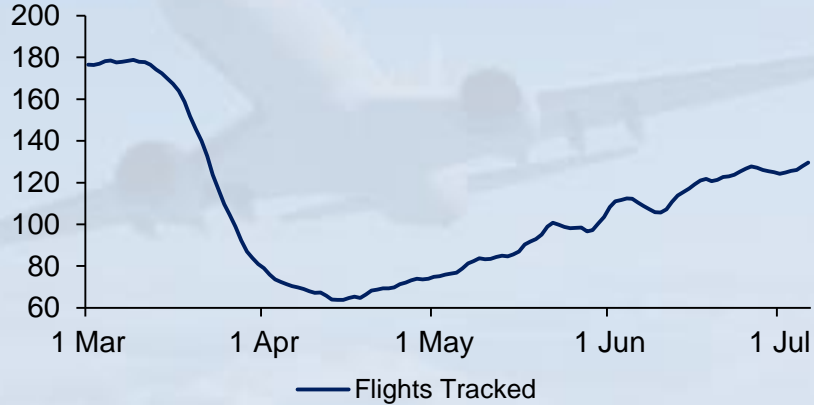


Source: OECD; IHS Markit; SIA

Post-Great Lockdown: Global mobility tracker

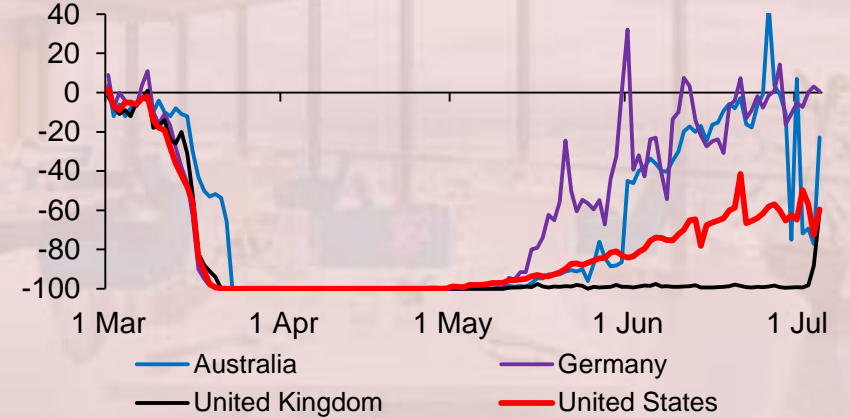
Number of flights tracked have bottomed out

('000, 7-day moving average)



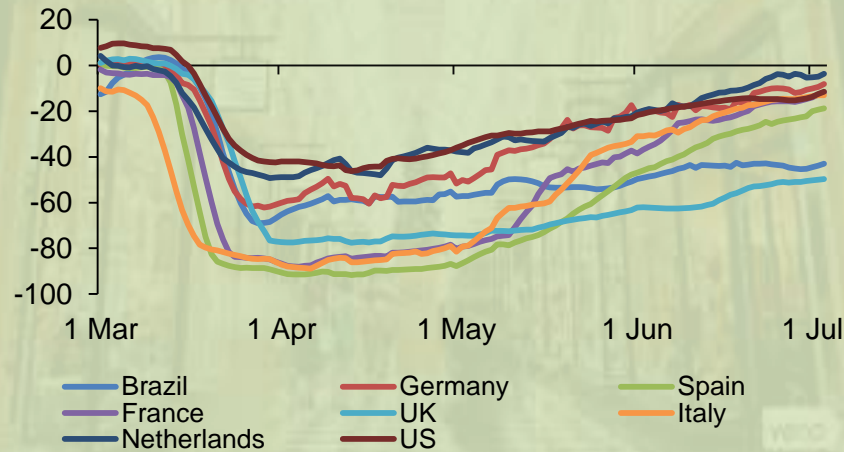
Restaurant bookings

% change vs. same day of same week one year ago



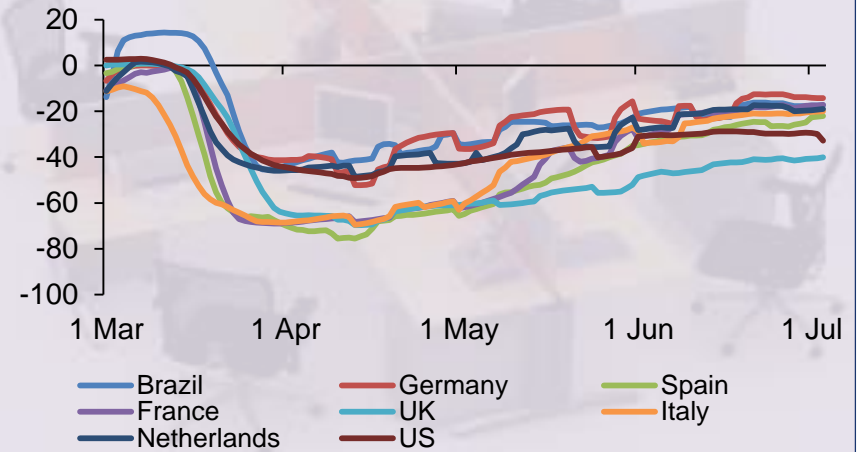
Time spent in retail and recreation

%, 7-day moving average



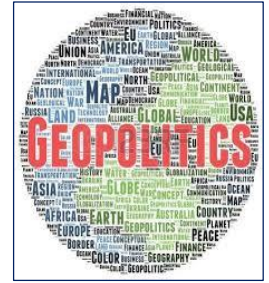
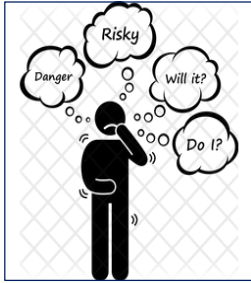
Time spent in workplaces

%, 7-day moving average



Source: Flightradar24; OpenTable; Google Mobility

We caution developments that would trigger a reversal in riskier assets' prices



1

2

3

4

5

6

A protracted and deeper recession than anticipated.

Stemming from a second wave of infections, compelling more restricted movements and containment measures

Investors pare down expectations and lower optimism about the central banks' continued liquidity support

Investors reassess their appetite and pricing of risk on worse-than-expected corporate earnings. Assets' repricing could result in a sharp tightening in financial conditions, causing stock market volatility

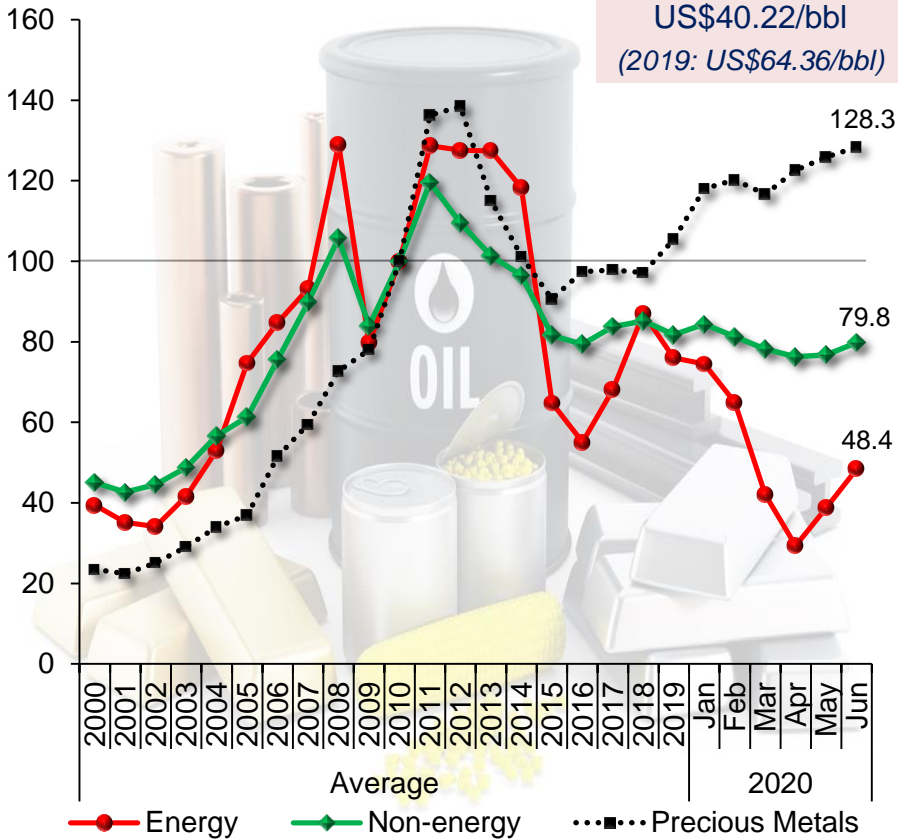
Renewed trade tensions between the US and China

The US Presidential Election outcome in November and potential policies' ramifications

Geopolitical tensions could lead to a reversal in investors' sentiment

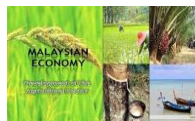
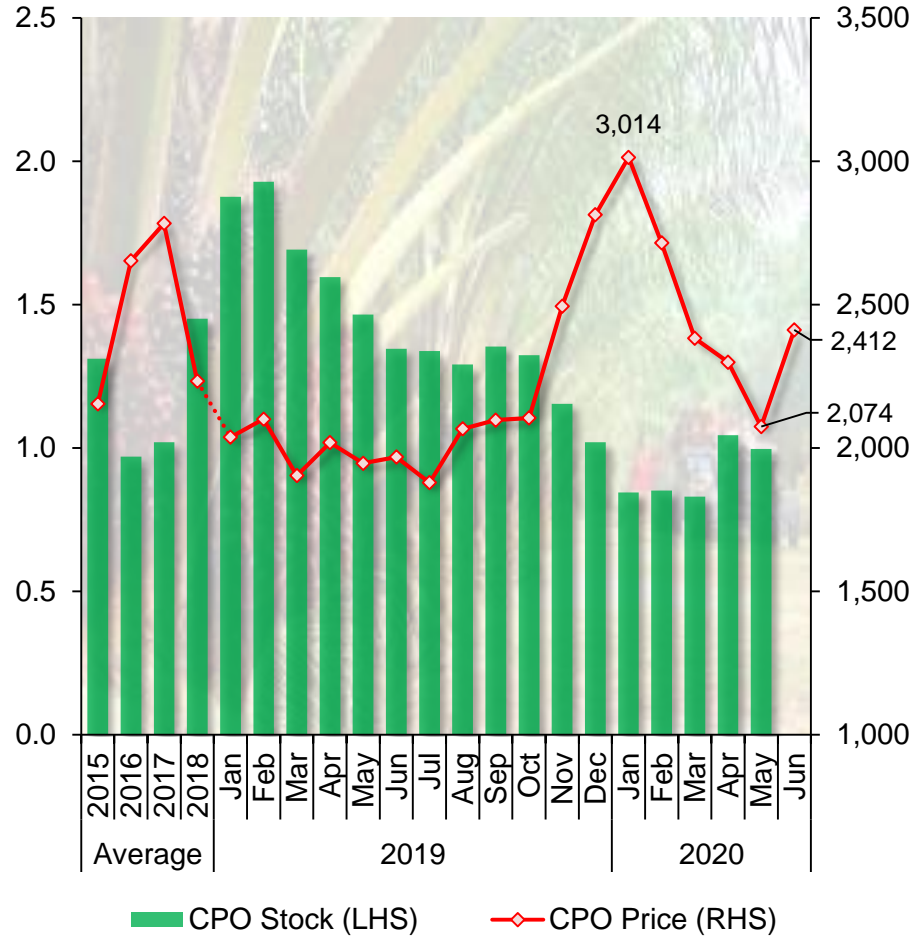
Crude oil prices seem stabilising; Crude palm oil prices on the mend

Commodity Price Index (2010=100)



CPO Stocks (million tonne)

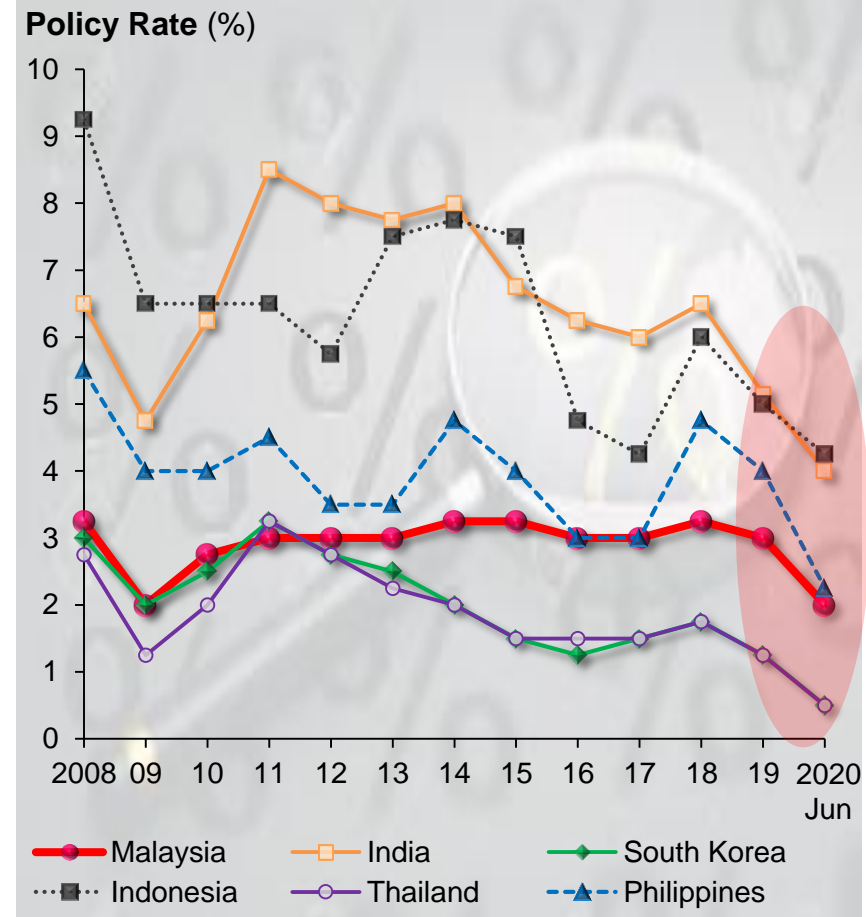
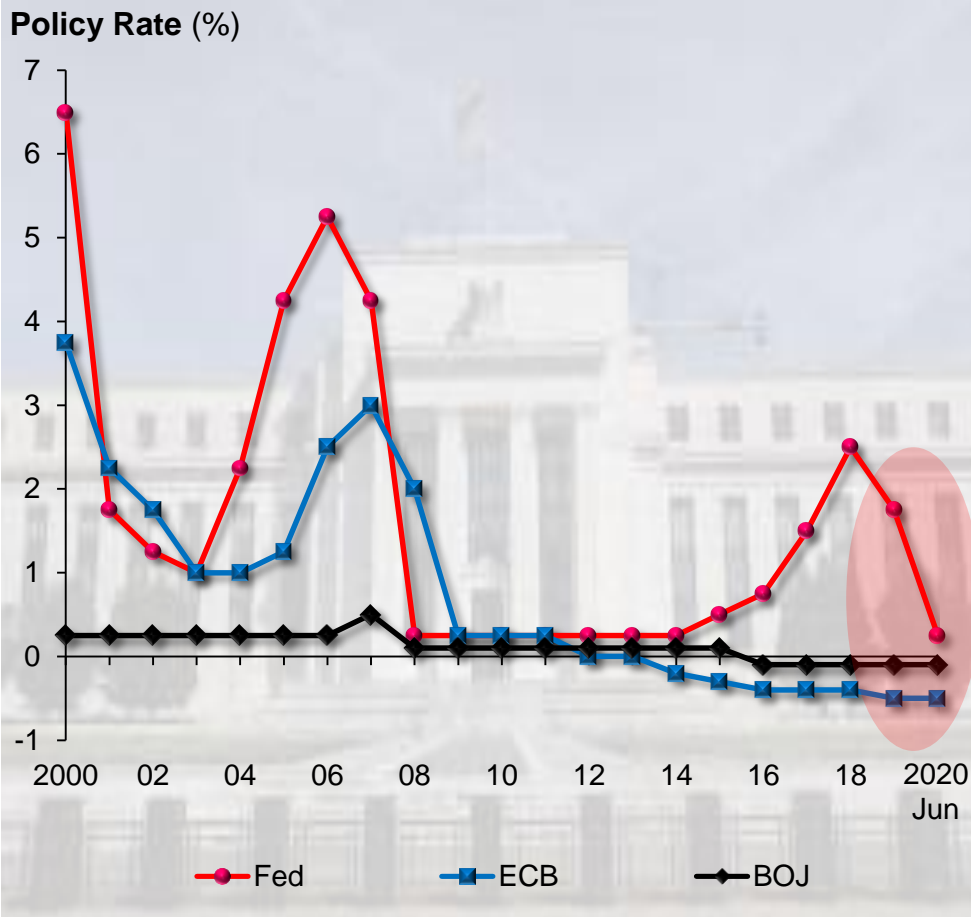
CPO Price (Local delivered, RM/tonne)



Source: World Bank; MPOB

Profoundly low interest rates are here to stay

If 2008-09 GFC was the “too big to fail” crisis, **2020 is the “too many to fail” version**: Central bankers cannot allow a domino effect of firms collapsing for fear that the economic damage will be so severe.



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

The Malaysian Economy

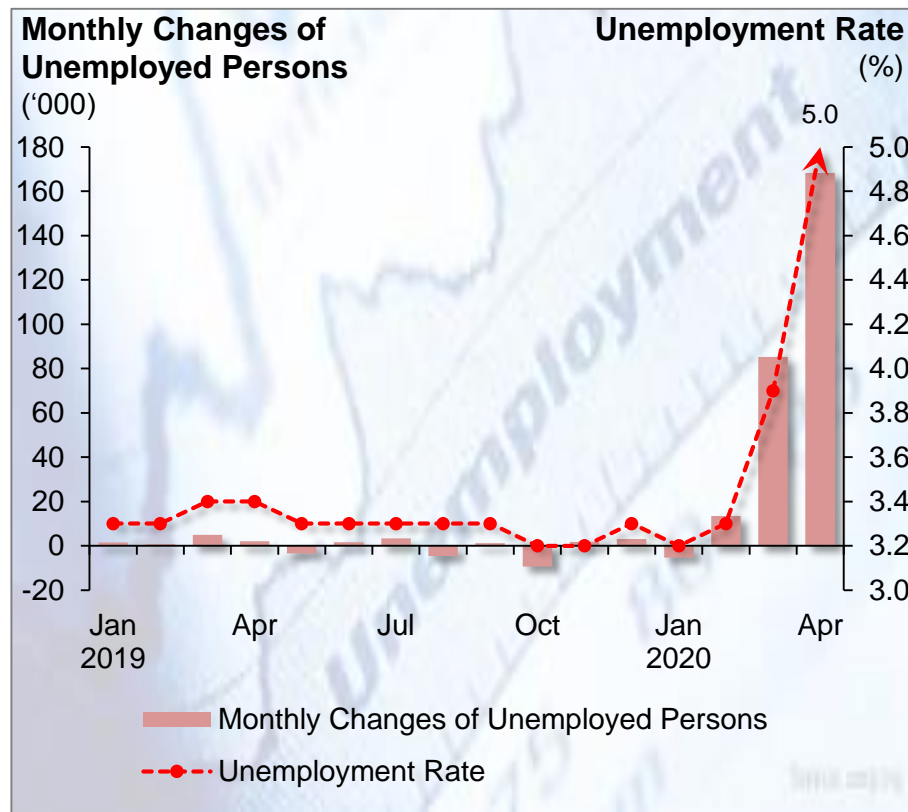
Aggressive policy responses to limit economic repercussions

- **PRIHATIN & PENJANA: RM295bn or 21.1% of GDP**
- **Direct fiscal injection: RM45.0bn or 3.2% GDP**



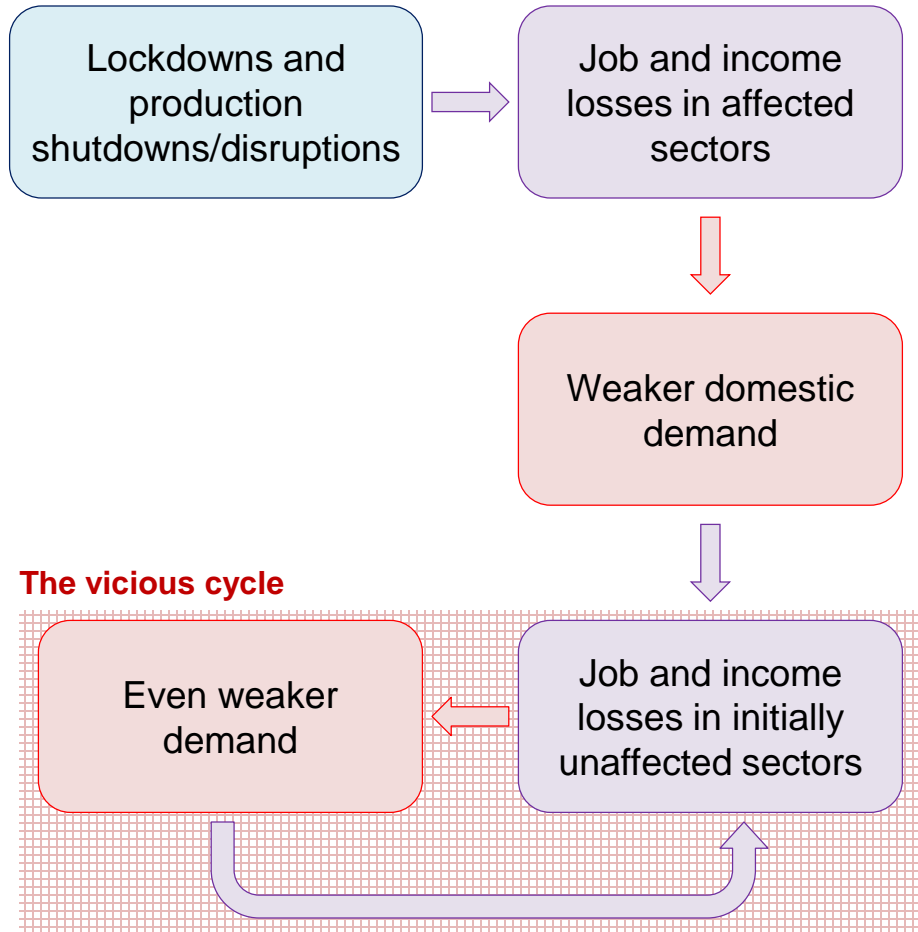
COVID-19's supply shock induced demand shock's vicious cycle

Jobless rate hit a record 5.0% in April (number of unemployed persons increased by 261,800 to 778,800 in April 2020 vs. end-2019: 517,000). **Expect unemployment rate to reach 5.5%-6.5% in 2Q-3Q in 2020.**



Source: BNM; DOSM

A **vicious cycle** of job loss and income retrenchment




The vicious cycle

PRIHATIN Economic Stimulus Package (ESP) – Status update

PROTECTING RAKYAT

As of 6 Jul



Bantuan Prihatin Nasional (BPN)

- Benefitted **10.2 million** individuals & households
- Distributed RM10.9 billion
- Achievement status: **97.5%**


As of 26 Jun



EPF's i-Lestari

- Benefitted **4.3 million** individuals
- Withdrawal up to RM2.2 billion a month

As of 5 Jun




KWSP contribution rate reduced from 11% to 7%

- Benefitted **5.7 million** EPF contributors
- Total reduction: RM1.9 billion
- 1.85 million opt to maintain at 11%

SUPPORTING BUSINESS

As of 6 Jul



SME Soft Loan Funds

- Benefitted **20,104 SMEs**
- Approved loan amounted to RM8.7 billion

As of 6 Jul




PRIHATIN Special Grant (GKP)

- Benefitted **544,632 micro enterprises**
- Approved grant amounted to RM1.6 billion

STRENGTHENING ECONOMY

As of 19 Jun



Grant for small scale government projects

- Allocated RM3.8 billion for SMEs to kick-start public projects awarded

Source: LAKSANA Report

The Malaysian Economy

**Economic and Business impact –
Counting the cost**



PENJANA – Short-term Economic Recovery Plan

PRIHATIN's measurable impact:



Many businesses still concerned about 3Cs and struggling to cope several challenges:

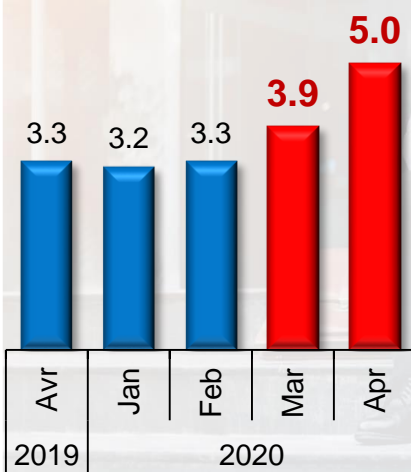


Source: PENJANA Short-Term Economic Recovery Plan; DOSM Special Survey on COVID-19 Impact on Business Sector (10 Apr -1 May)

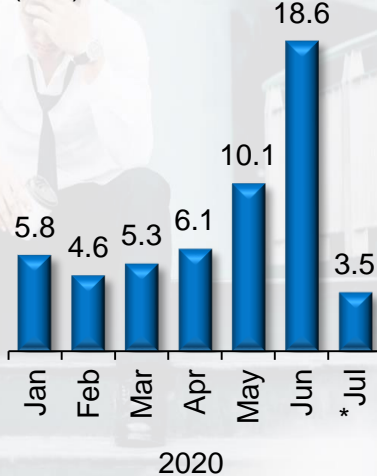
Malaysia's post COVID-19 recovery tracker

Unemployment

Unemployment Rate
%, YoY

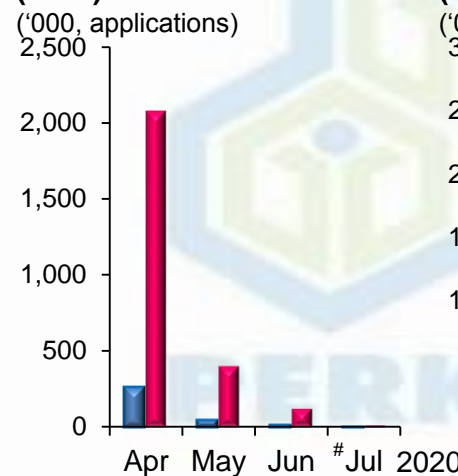


Loss of Employment
('000)

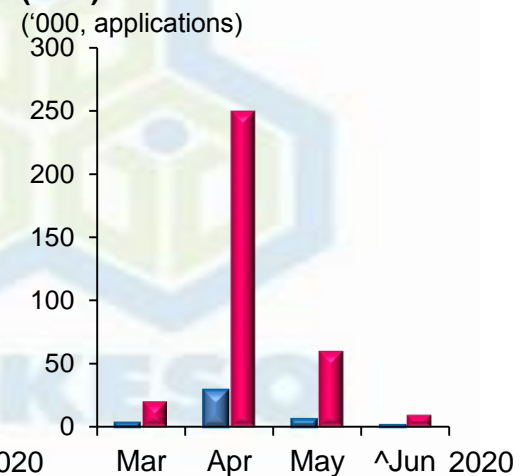


Job savings program

Wage Subsidy Program
(WSP)
(('000, applications)



Employment Retention Program
(ERP)
(('000, applications)



■ Employers ■ Employees

- Unemployment rate jumped to 5.0% in April
- Expect further rise to 5.5%-6.5% in 2Q-3Q
- EIS data (Jan-4 Jul 2020): **53,952 persons loss of employment** (vs. 40,084 in Jan-Dec 2019)[@]
- A rebound can't truly get underway until people are able to go back to work and jobless rate recedes from a record high

* As of 4 July

- **2.7 million jobs saved** (2.5m via WSP; 0.2m via ERP)
- Both the number of employers applied and employees benefited from WSP and ERP moderated sharply in May-Jun
- **ERP** (wage subsidy on no pay leave) **may presage the potential loss of employment**

As of 3 July

^ As of 21 June

Source: DOSM; PERKESO

[@] Unemployment claims under Employment Insurance System (EIS)

Malaysia's post COVID-19 recovery tracker (cont.)

Consumer sentiment

MIER Consumer Sentiment Index (CSI)

Optimism Threshold = 100

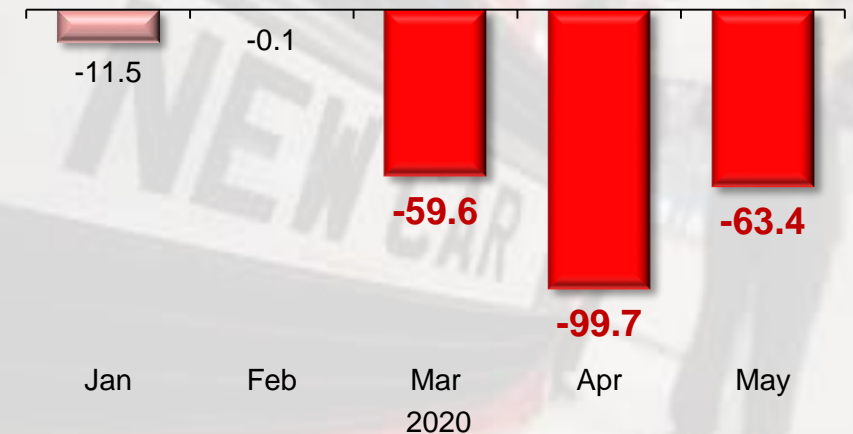


- Consumers' optimism has suffered a record plunge
- Until Malaysians feel safer from the virus and have secured job and income, they won't regain confidence and spend normally → hurdle to a strong recovery

Buying a car

Passenger Car Sales (Volume)

%, YoY



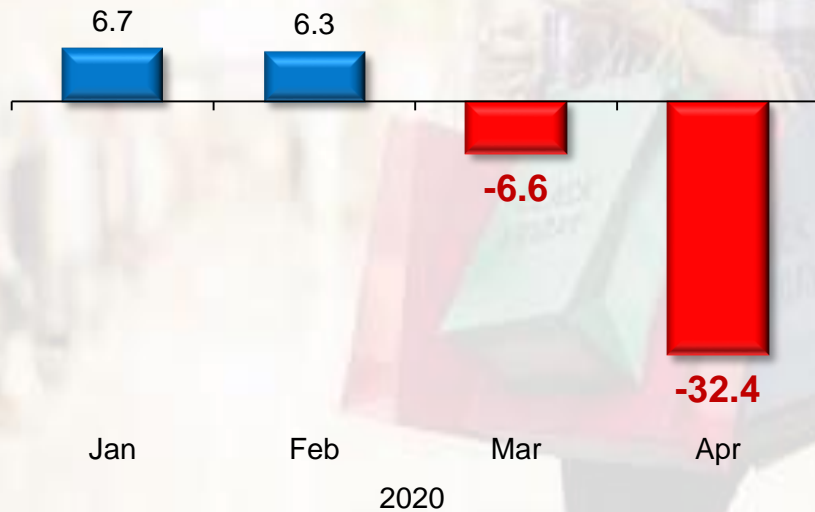
- While sales tax exemption would spur demand, car buyers won't return in droves and make the biggest purchase unless they have secured job and income as well as can get a loan
- **PENJANA**: Exempts sales tax on passenger cars (100% for locally assembled (CKD) and 50% for imported (CBU)) till end-2020

Source: MIER; BNM

Malaysia's post COVID-19 recovery tracker (cont.)

Shopping at retailers

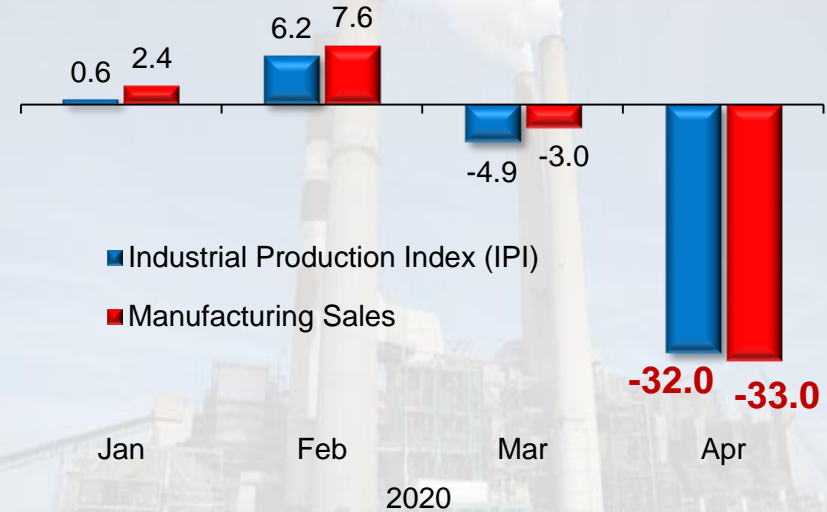
Retail Sales
%, YoY



- Footfall in major shopping malls about between 50%-70%, but sales are up to 40% vs. pre-MCO
- Amid wary about the virus, social distancing and SOP are likely to discourage many people away when stores reopen
- How fast they return is critical for domestic consumption and spending

Production & manufacturing sales

Industrial Production and Manufacturing Sales
%, YoY



- Manufacturing capacity has gradually restored back to 70%-80% and 90%-100% for some strong products demand industries (still low around 30%-50% for wearing apparels)
- Sharp plunge in industrial production and manufacturing sales will hit the peak in 2Q and will improve to decline shallowly in the months ahead

Source: DOSM

Malaysia's post COVID-19 recovery tracker (cont.)

External trade

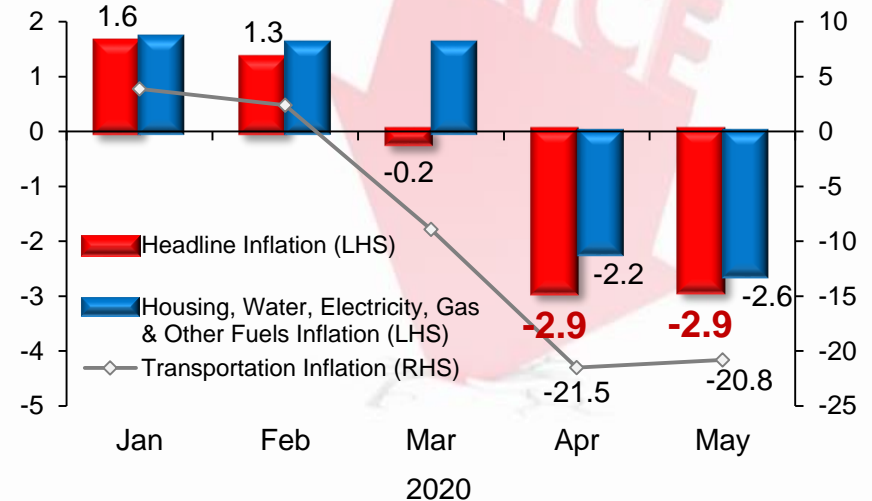
External Trade
%, YoY



- Exports contracted sharply due to lockdown impact on demand from our major buyers amid supply chain disruptions
- Our major trading partners' pace of economic recovery in 2H 2020 would help to lift export growth and support the economy

Consumer Price Index (CPI)

Inflation by Selected Components
%



- Deflation inflicted by lower petrol prices and electricity tariff discounts amid slow price increases in other main groups. Capacity slack and oversupply amid slower demand
- As long as there is no a broad-based decline in prices for a sustained period, says at least more than a year, it is a lesser concern about deflation

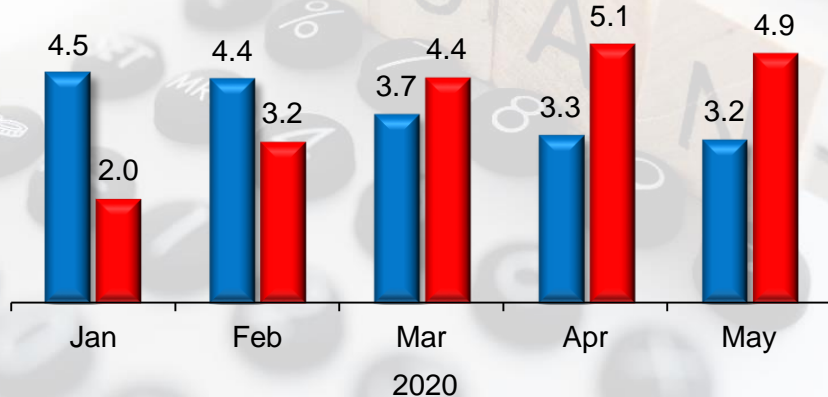
Source: DOSM

Malaysia's post COVID-19 recovery tracker (cont.)

Loan financing

Loan Outstanding
%, YoY

■ Household Sector
■ Business and Other Sectors

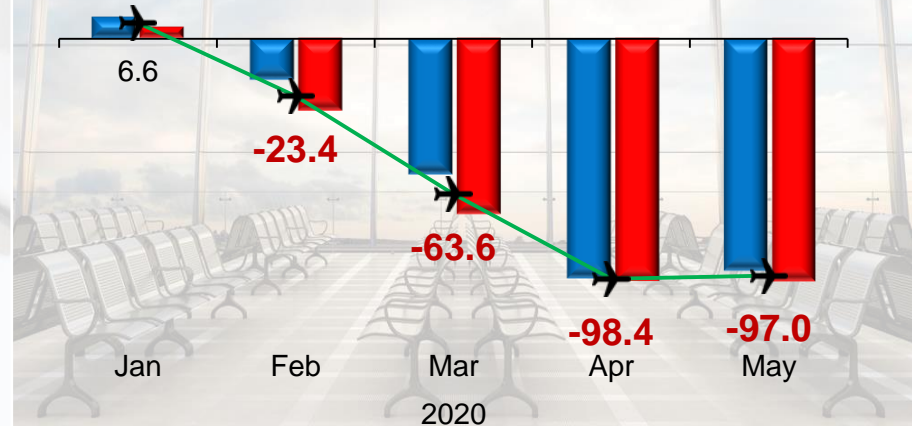


- Business loan growth (4.5% yoy in May and 4.7% in April) and households' demand eases
- As of 6 July, total **loan moratorium amounted to RM51.4 billion** (RM33.4 billion for individuals and RM17.9 billion for businesses)
- Real test is **the expiry of loan moratorium in September**

Daily flying passengers

Growth
%, YoY

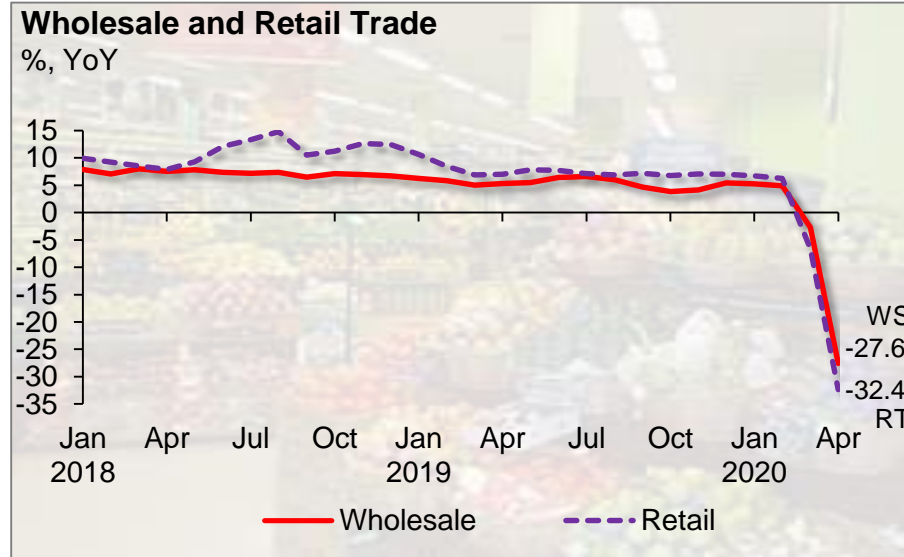
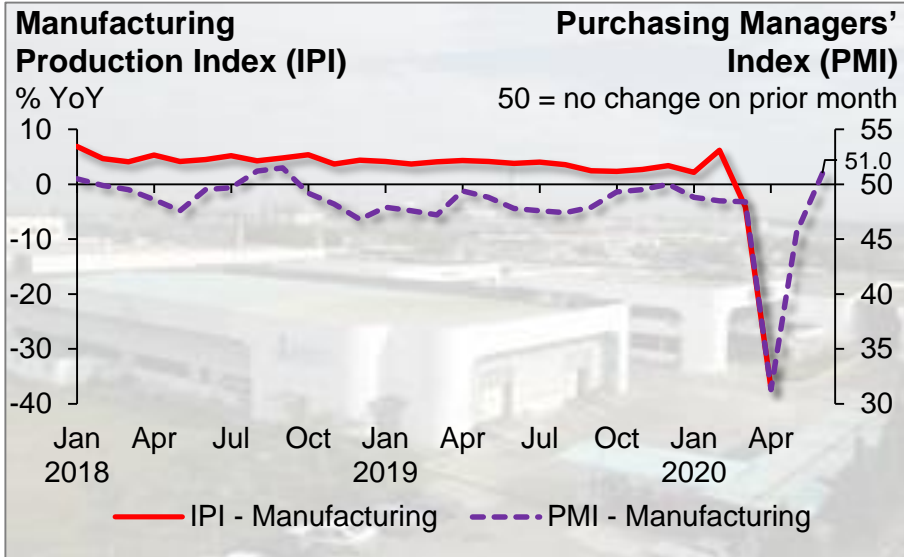
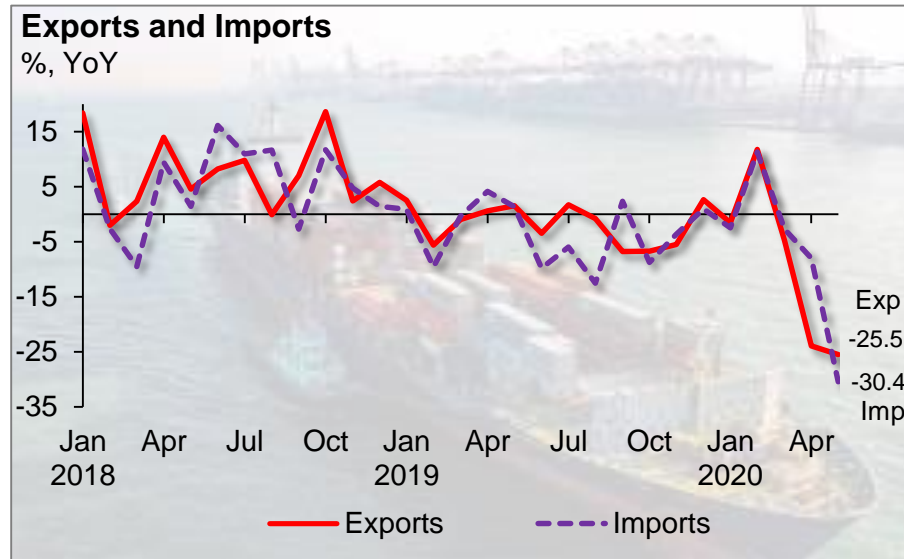
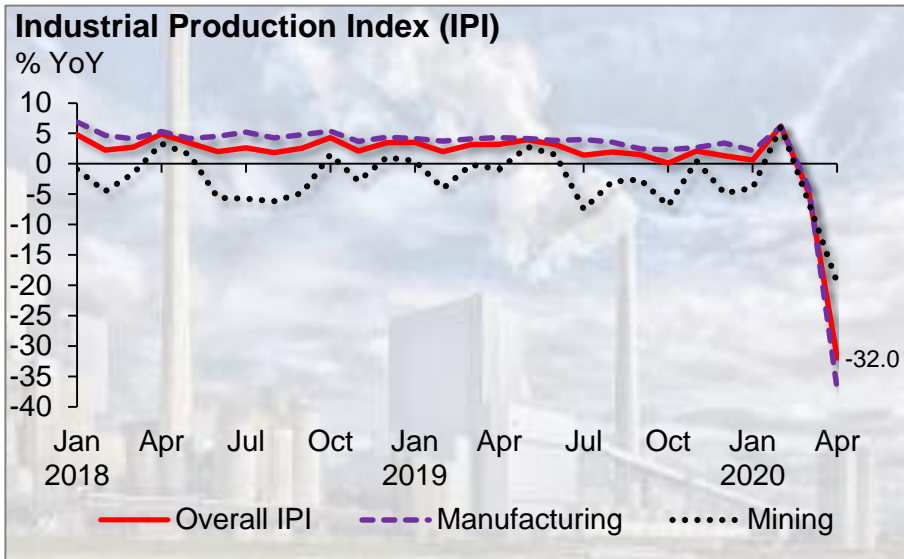
■ Domestic ■ International → Total



- Air passengers traffic has already dropped due to the pandemic outbreak and lockdown in China before the starting of domestic MCO and the Great Lockdown
- Following the inter-state travel and on-going negotiations to allow cross-border travel using the "Green Bubble" countries method, the aviation and travel industry will be gradually on the mend

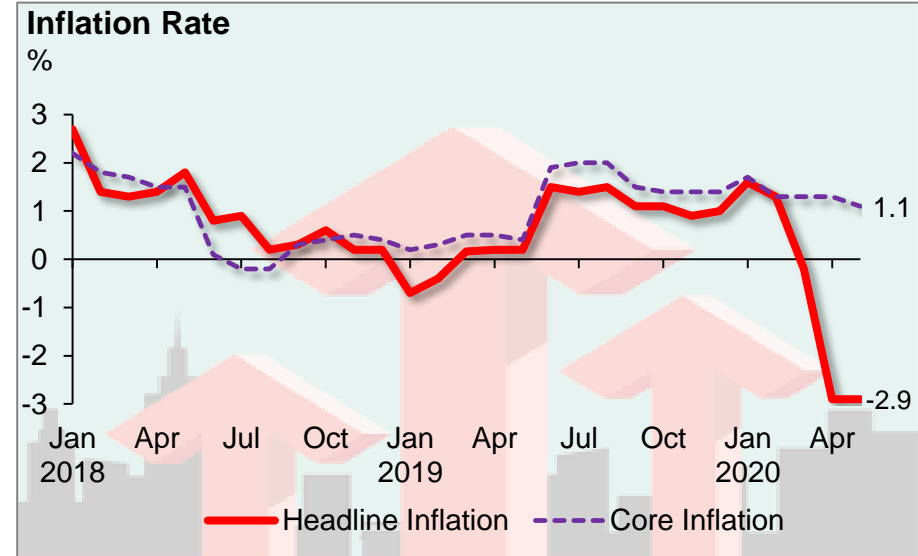
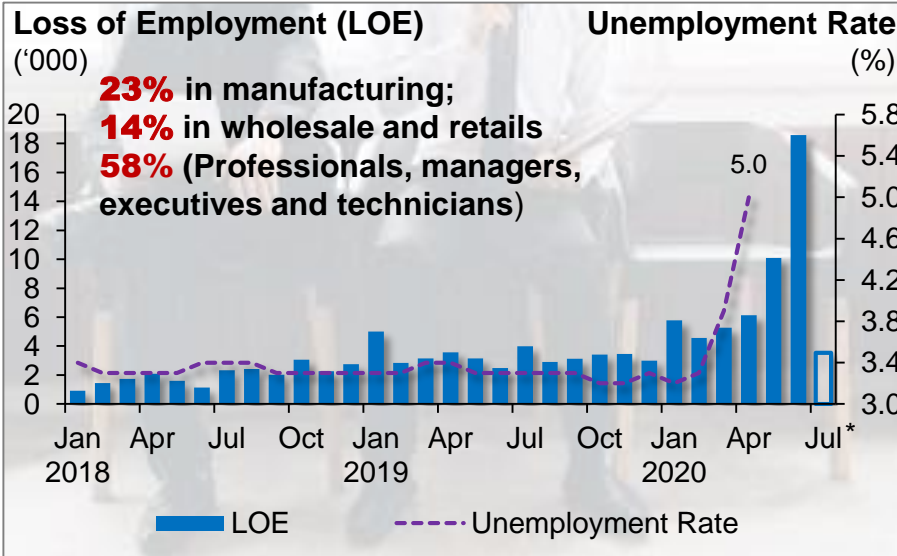
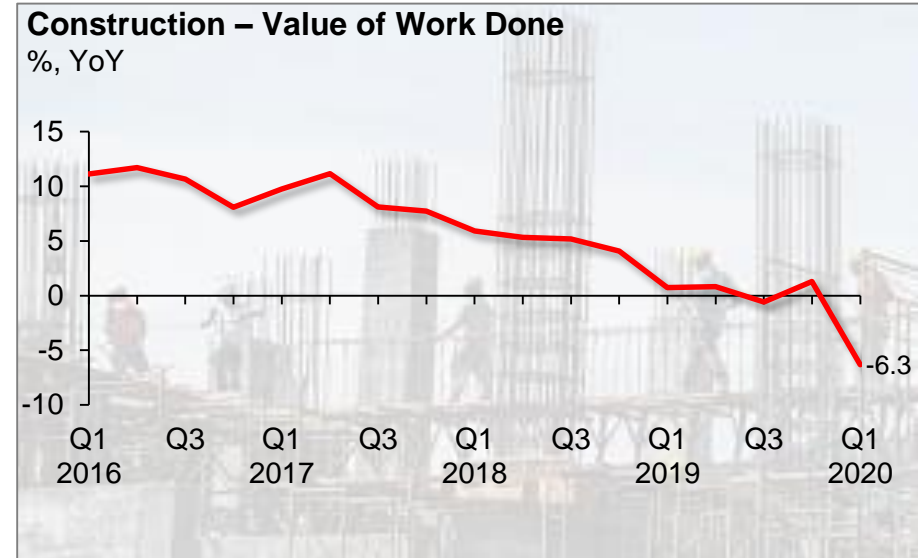
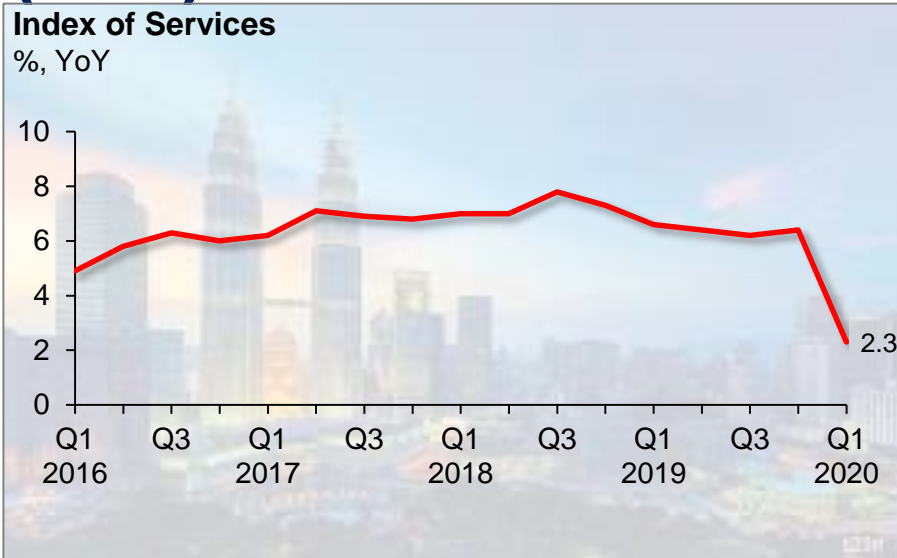
Source: BNM; MAHB

High frequency data show a sharp contraction to peak in 2Q



Source: DOSM; IHS Markit

High frequency data show a sharp contraction to peak in 2Q (cont.)



Source: DOSM; PERKESO

* As of 4 Jul

Our channel checks on reopening of the economy

Manufacturing plants:



Mostly have resumed operations (70%-80% capacity utilization rate)



For electronics and automation companies

- 40% operating at 100%
- 40% above 80%
- 20% between 50% and 60%



Major shopping malls:



Most business have started operation



15.0 million (98.8%) employees returned to work currently (vs. 10.2 million @ 67.2% as of 17 May)



Footfall/foot traffic about 50%-70%



Sales are up to 40% compared to pre-MCO

Our channel check on reopening the economy (cont.)

Restaurants/coffee shops:



Dined-in was constrained by decreased seating capacity (social distancing)



Potential loss of key sources of income (functions/events/wedding dinner) for August



Hotels:



Overall occupancy rate still below 30%



MAH survey: 15% will close business permanently and 35% temporarily

MAH survey: Occupancy rate is expected to rise from 15.83% at end-June to **32.10%** at end-Dec 2020



Construction:



During the sites inspection made between 22 June-1 July, about **9%-29%** of construction sites have **not started operations**



56%-82% of the construction sites have complied with SOP.

Reopening economy: Malaysia's mobility tracker

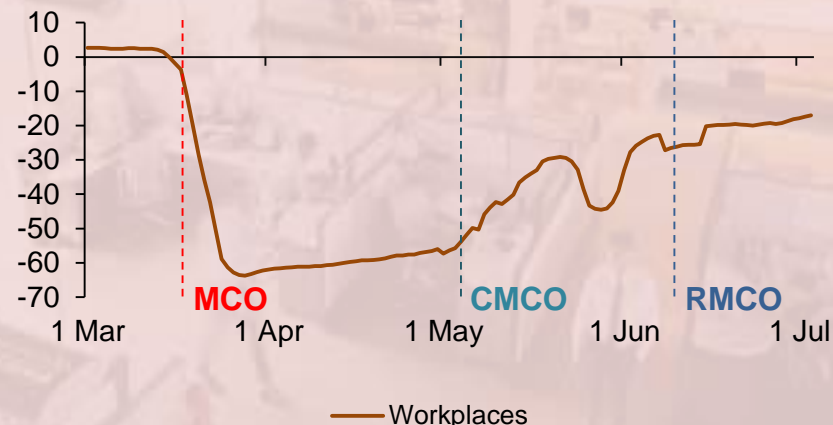
Time spent in retail and recreation

%, 7-day moving average



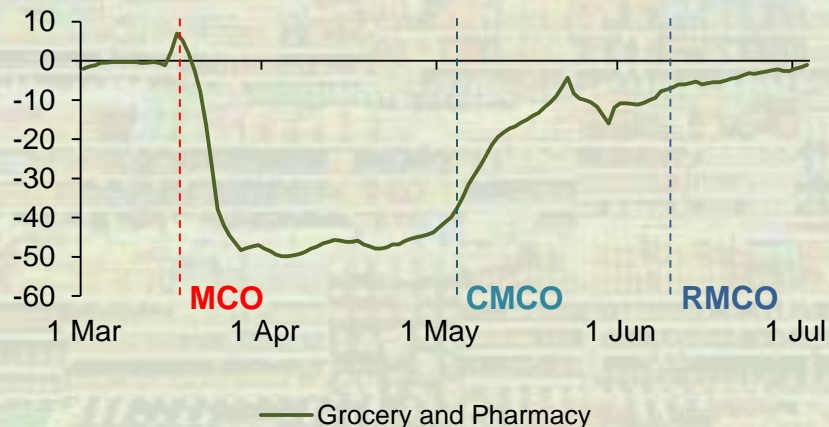
Time spent in workplaces

%, 7-day moving average



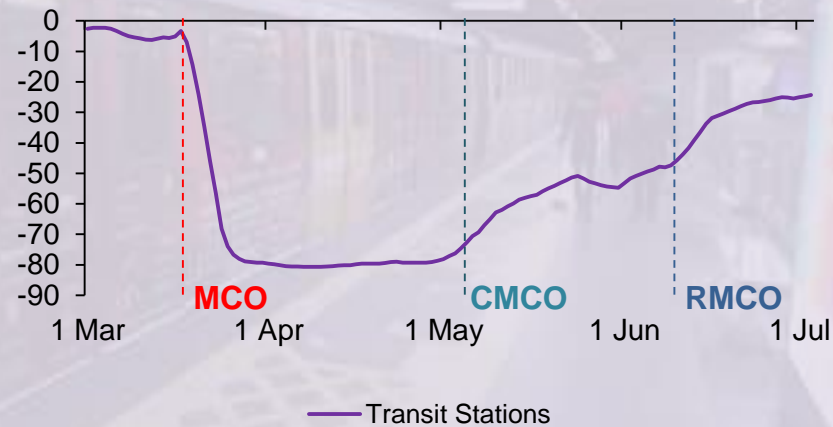
Time spent in grocery and pharmacy

%, 7-day moving average



Time spent in transit stations

%, 7-day moving average



Source: Google Mobility

The Malaysian Economy

Prospects in 2020-2021 – What might the recovery look like?



Malaysia: Be prepared for an uneven & gradual global recovery

- **Malaysia must be prepared for a challenging nature and complexity “new normal” path** ahead post the COVID-19 global pandemic.
- Given the following evolving economic and financial developments, **downside risks to economic growth remain in 2020-2021.**



GLOBAL RECESSION IN 2020 – HOW DEEP AND DURATION? SLOW RECOVERY IN 2021-2022



VOLATILITY RISK IN GLOBAL FINANCIAL MARKETS



MODERATING COMMODITY PRICES



SOFTENING CRUDE OIL PRICES



WEAKENING DOMESTIC AND BUSINESS CONDITIONS



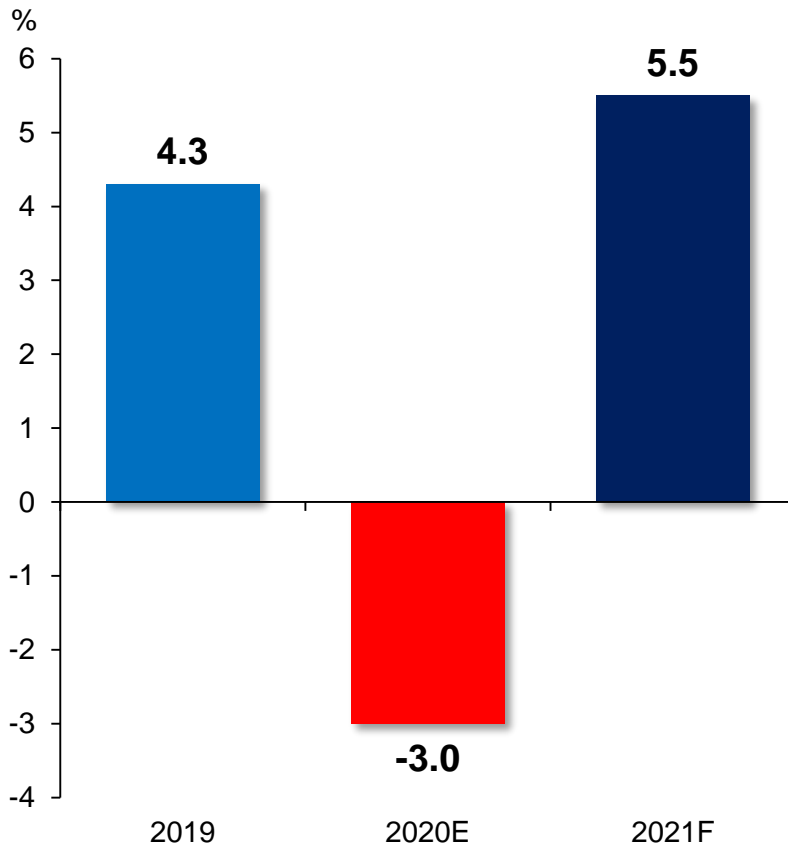
VOLATILITY RISK IN STOCK MARKET AND WEAK RINGGIT



LINGERING CONCERNS ABOUT THE US-CHINA'S TRADE TENSION

Get back on track: Well positioned to recover but risks remain

Real GDP Growth



Source: DOSM; SERC

Positive Outlook

- 👍 “Sudden stop” in activity in 2020 will normalise in 2021 amid some permanent loss in output
- 👍 Technical base comparison sees a “sharp” bounce in annual growth comparison in 2021
- 👍 Services and tourism-related sectors will be revitalised as tourist arrivals resume gradually
- 👍 Construction: Supported by on-going public infrastructure projects and new projects
- 👍 Exports will rebound as global trade picks up

Risks to outlook

- 👎 A prolonged drag in global recovery
- 👎 Longer time for some domestic sectors to repair damage
- 👎 Households rebuild savings
- 👎 Slow recovery in jobs market

Set improving expectations in 2H 2020

January – June (1H) 2020

**Bear the brunt
of MCO**



Production capacity during an initial phase of MCO
Essential sector: 40-50%
Non essential sector: 0%



Exports trashed

Great Lockdown in major trading partners Supply chain disruptions



Cautious sentiment

Jobs and income losses Spent only on basic necessities



PRIHATIN measures provide a temporary relief

CMCO - RMCO

Allow economic sectors to restart in stages since May

July – December (2H) 2020



Positive carry through effect from reopening & PENJANA



Gradual restoration of confidence



Easing pace of retrenchment

Cash Flow
Costs Credit

Businesses slowly recouping revenue loss



Domestic tourism and inbound travel revive



Consumers adjusting to new normal

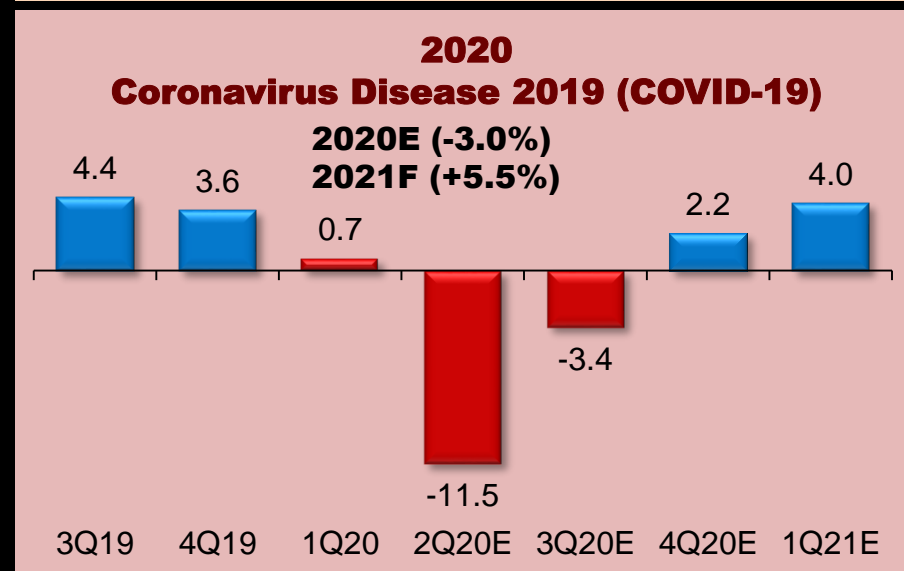
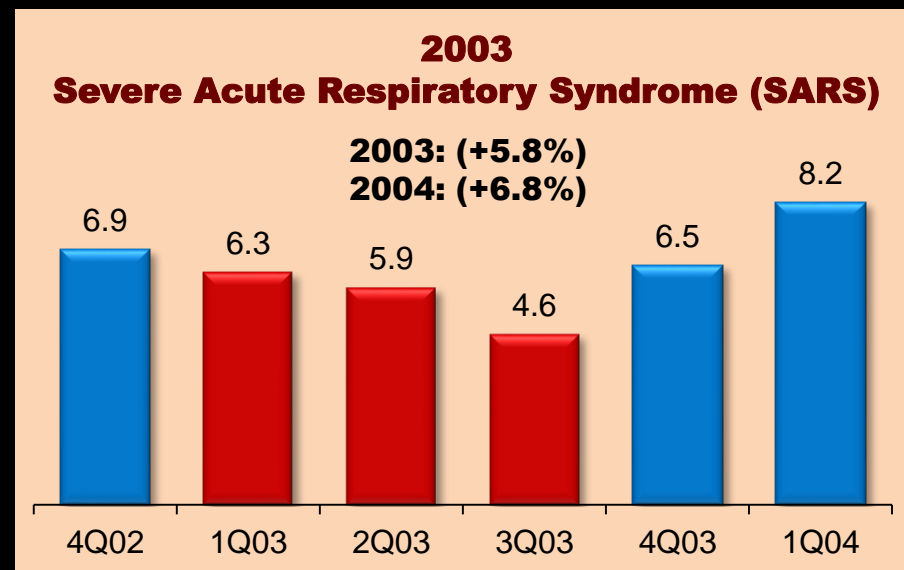
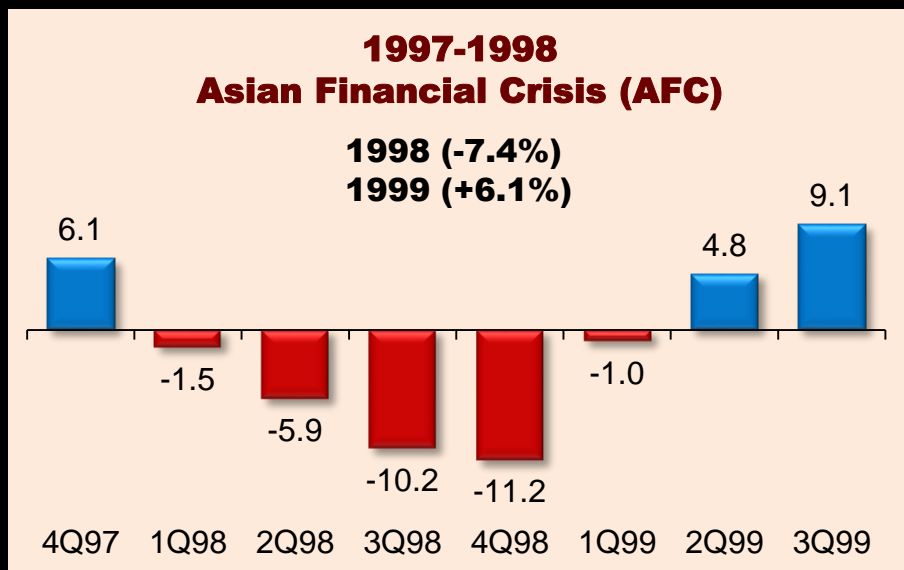


Lagged impact of interest rate cuts



Exports pick up gradually

The duration and depth of economic recession and recovery



Source: BNM; DOSM; SERC

Permanent demand destruction vs. spending shifts vs. spending declines

Private Consumption Growth

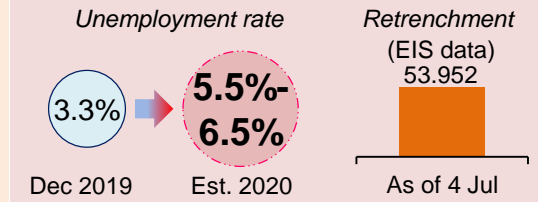
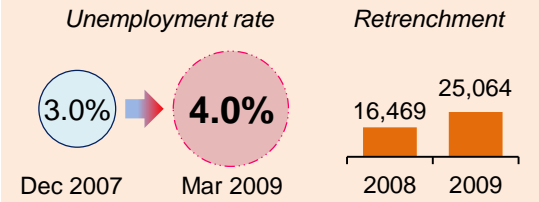
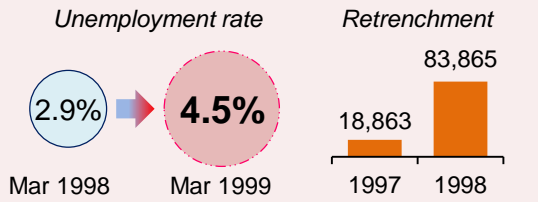
(%, YoY)



Currency Crisis induced
Massive income and wealth destruction
(bust in stock and property markets)

US Subprime Crisis induced
Global Financial Crisis

Health Pandemic inflicted
Global Recession



BNM intervention rate reduced from **11.00%** as at end-Feb 1998 to **5.50%** as at end-Aug 1999

OPR reduced from **3.50%** as at end-Oct 2008 to **2.00%** as at end-Feb 2009

OPR reduced from **3.25%** as at end-Mar 2019 to **1.75%** as of Jul 2020

Source: DOSM; BNM; SERC

3-pt reduction in employees' EPF contribution rate

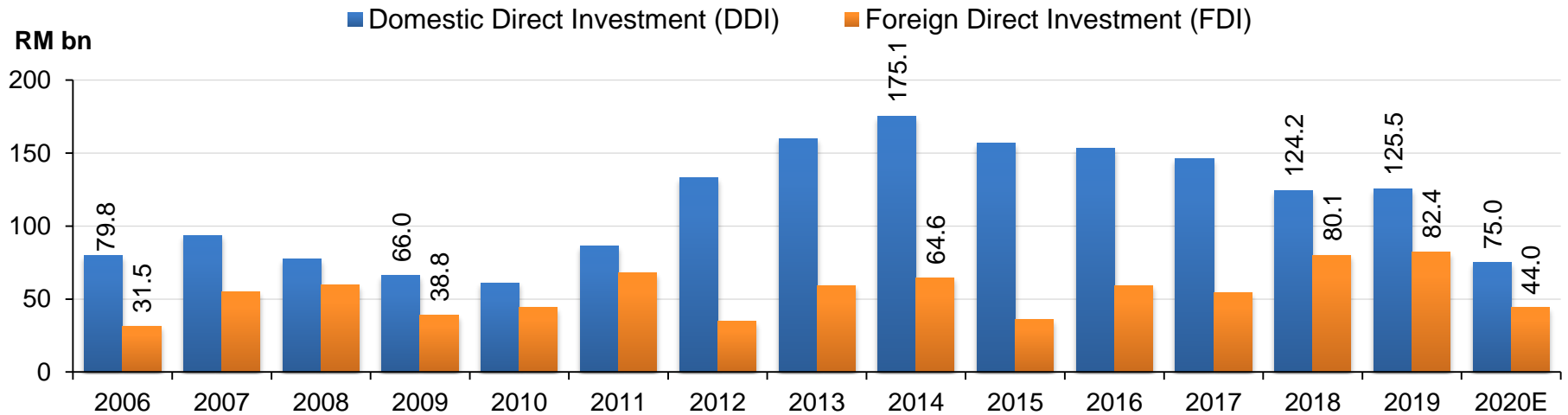
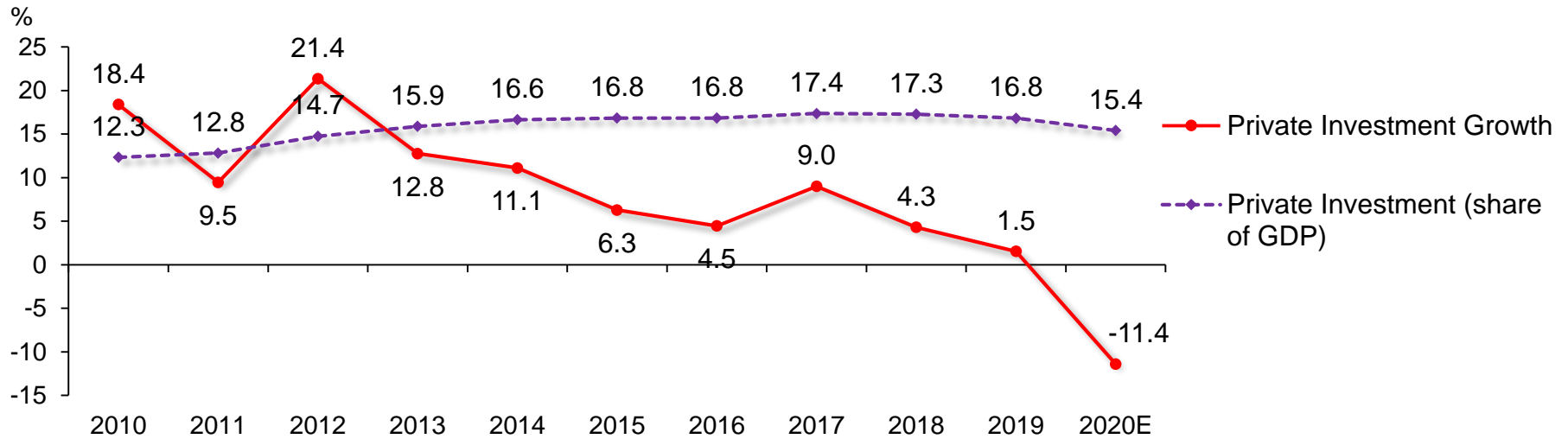
Cash handout

4-pt reduction in employees' EPF contribution rate

Cash handout

EPF withdrawal Loans moratorium

Private investment has been trending down in recent years

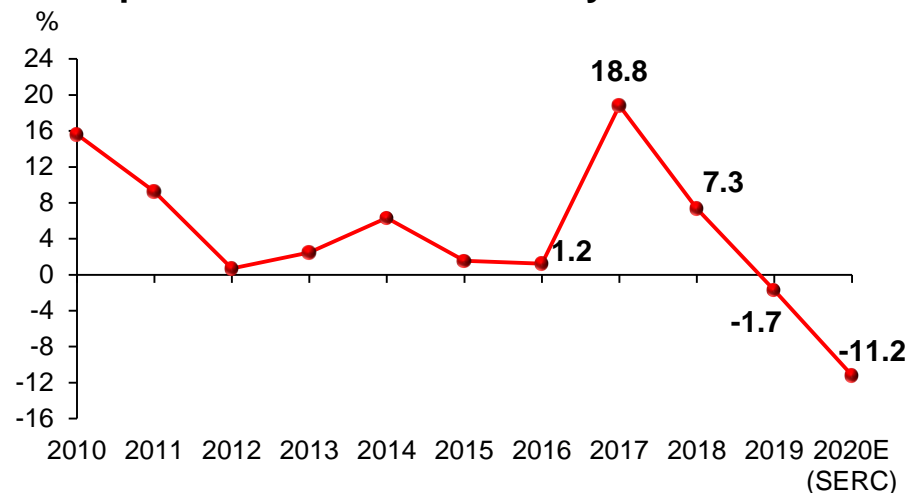


Note: Figure in parenthesis indicates changes of investment amount on year-on-year basis.

Source: DOSM; MIDA; SERC

Import compression helps to keep current account surplus

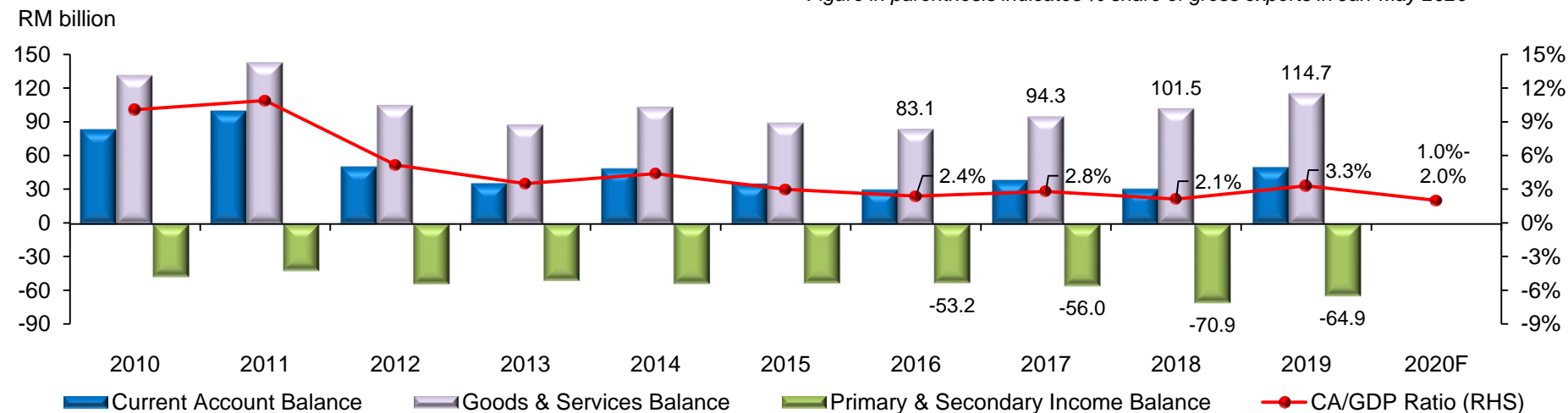
Exports shrank by 9.7% yoy in Jan-May 2020 and are expected to decline further by 11.2% in 2020



Exports performance of key products in Jan-May 2020

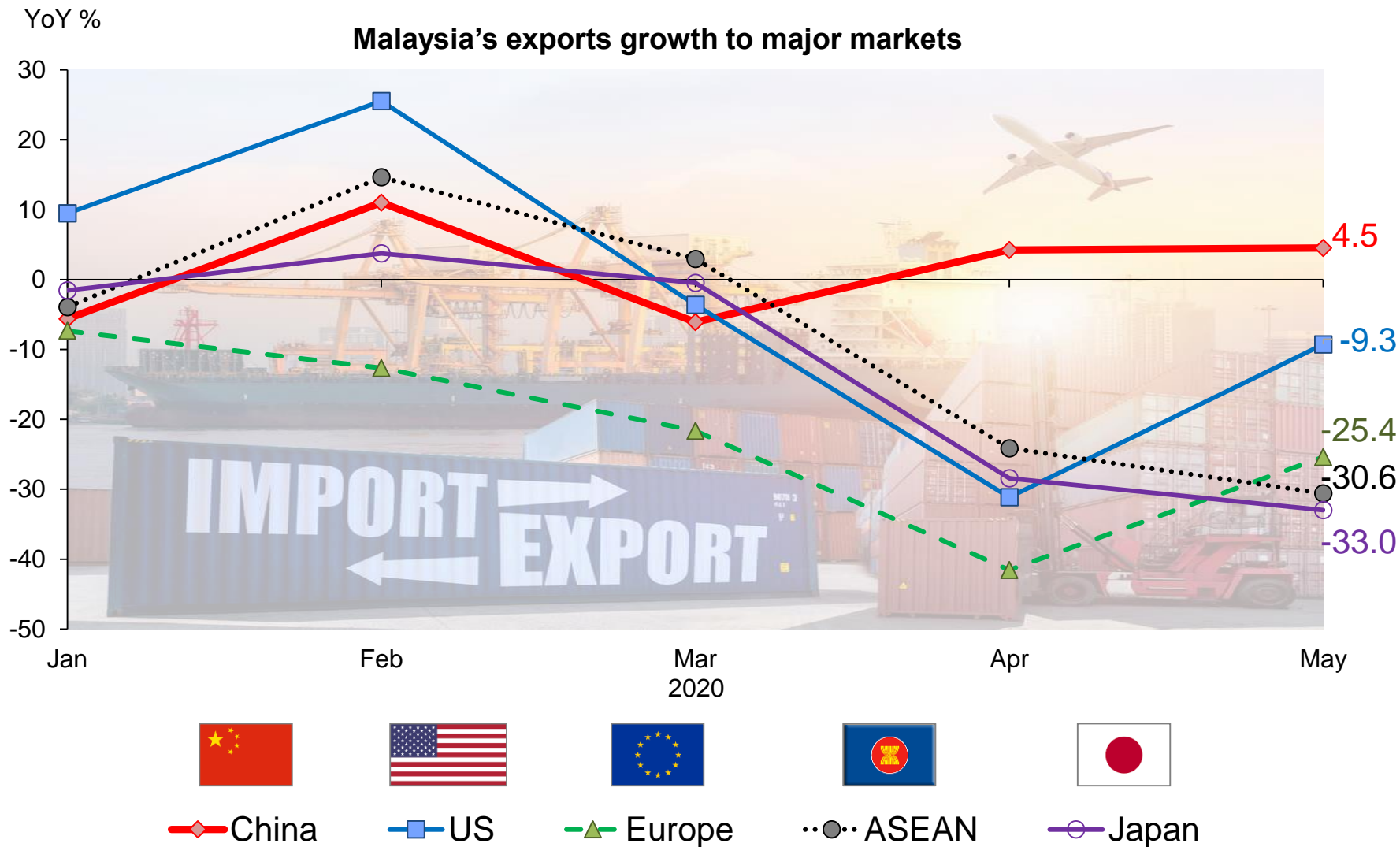
Figure in parenthesis indicates % share of gross exports in Jan-May 2020

Current account surplus is expected to narrow further to 1.0%-2.0% of GDP in 2020



Source: DOSM; BNM; SERC

Only China offers the bright spot for now



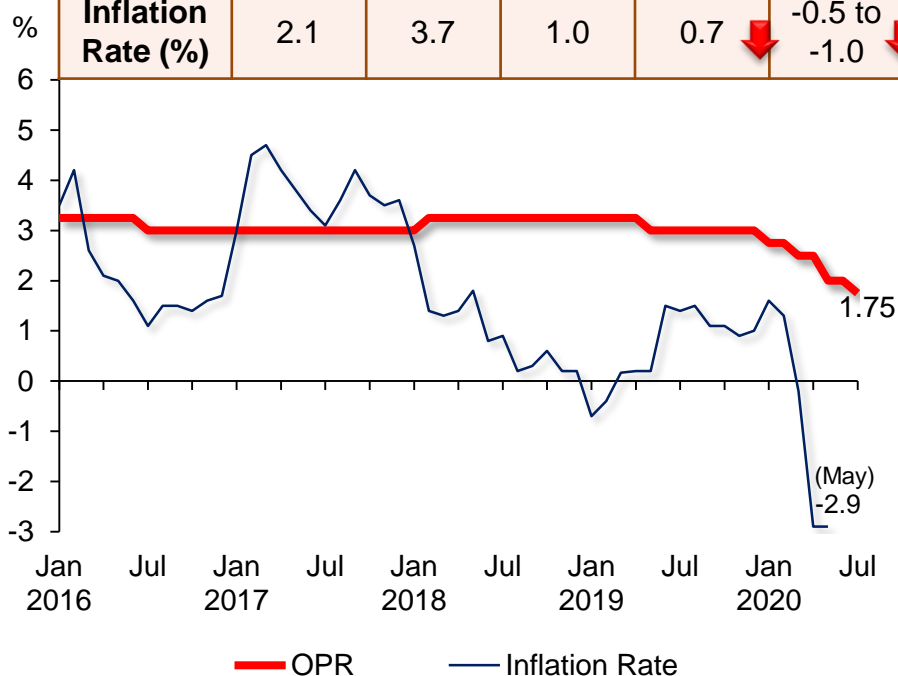
Source: DOSM

Is there a risk of sustained deflation?

- Prices have slipped into deflation territory (-2.9% yoy in Apr-May and -0.2% in March) and average -0.7% in Jan-May 2020. Transport prices were the distortionary factor due to the tumbling petrol prices.
- 27.3% of goods in the CPI basket saw decreases in prices in Jan-May 2020.

Lower oil prices-induced deflation in 2020

Year	2016	2017	2018	2019	2020E [^]
OPR (%) [*]	3.00	3.00	3.25	3.00	1.75
Inflation Rate (%)	2.1	3.7	1.0	0.7	-0.5 to -1.0

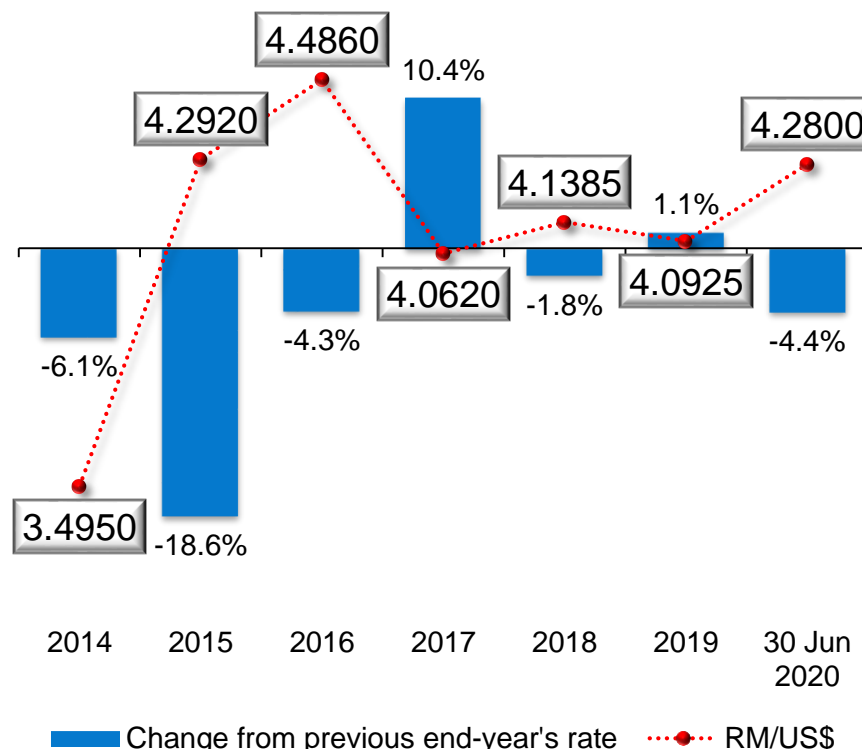


* OPR as at end-period

[^] denotes SERC's estimates

Source: DOSM; BNM

Ringgit outlook: RM4.30 per US dollar at end-2020

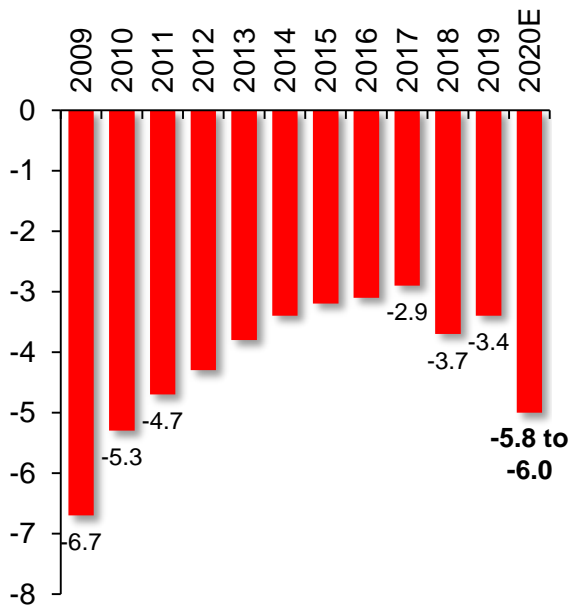


Note: Exchange rate (12:00 rate) as at end-period

Fiscal deficit may not matter much in an economic recession

Fiscal deficit is expected to widen to 5.8% to 6.0% of GDP in 2020

Fiscal Deficit
% to GDP



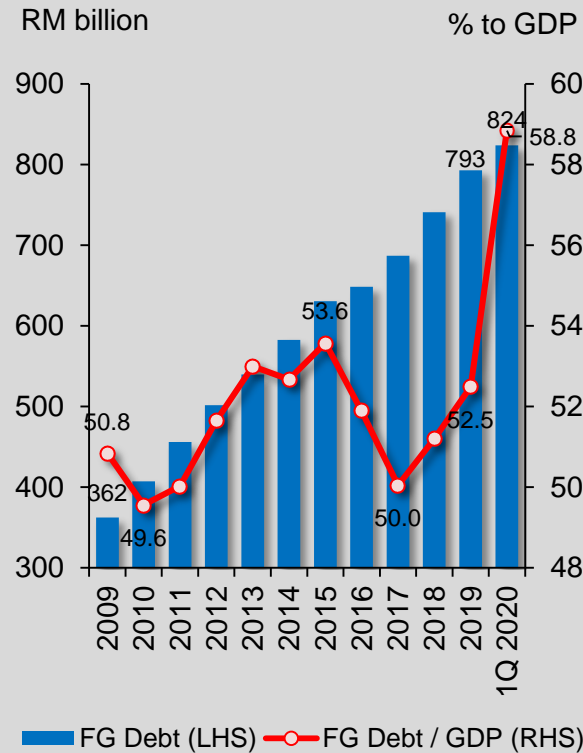
Sovereign ratings

- S&P: **A- (Negative)**
- Moody's: **A3 (Stable)**
- Fitch: **A- (Negative)**

Source: BNM; MOF; S&P; Moody's; Fitch

Review statutory debt limit; self-imposed administrative 55% of GDP ceiling?

Federal Government Debt



➤ Revenue enhancement

- Additional non tax revenue, including higher dividend contributions from the GLCs and CLICs such as PETRONAS, KHAZANAH, Bank Negara Malaysia, etc.
- Reintroduction of Goods and Services Tax (GST)?
- Privatisation of some government-owned assets

➤ Expenditure rationalisation

- More targeted subsidy; savings from fuel subsidy
- Reprioritisation and reallocation of expenditure
- Shortfall in government spending due to MCO

Rating agencies downgrade Malaysia' sovereign ratings

S&P Global
Ratings

Last revision: 26 June 2020

Rating:
A- (maintained)

Outlook:
Negative (from Positive)

Comments:

- **Downside risks to fiscal metrics** – weak global economic climate and heightened policy uncertainty
- Covid-19, depressed oil prices and fiscal stimulus – **weaken government's debt position** over next few years

MOODY'S

Last revision: 1 June 2020

Rating:
A3 (maintained)

Outlook:
Stable (maintained)

Comments:

- Malaysia balances its diverse economy with robust growth potential and large domestic savings against the government's **narrow revenue base and high debt burden**

FitchRatings

Last revision: 9 April 2020

Rating:
A- (maintained)

Outlook:
Negative (from Positive)

Comments:

- **High uncertainty about economic deterioration and public finances**
- Recent **political volatility** may affect governance standards, which had been improving in the past two years

No compromise on fiscal discipline and governance

- Federal Government debt stood at RM823.8 billion (estimated 58.8% of GDP) as at end-Mar 2020, has exceeded self-imposed administrative limit of 55% of GDP.
- It is required to seek Parliament's approval to relax these binding fiscal limits.

Fiscal indicators		Source: MOF
Fiscal rules	Legislative / Statutory Guidelines	Administrative
Borrowings are only to finance development expenditure	Loan (Local) Act 1959	Current balance always in surplus to ensure operating expenditure is financed by revenue
Domestic debt ceiling (MGS, MGII, MITB)	Not exceeding 55% of GDP Loan (Local) Act 1959 and Government Funding Act 1983	
Offshore borrowing ceiling	Not exceeding RM35 billion External Loans Act 1963	Self-imposed limit of 55% of GDP
Issuances of conventional Treasury bills	Not exceeding RM10 billion Treasury Bills (Local) Act 1946	
Limit of debt service charges (DSC)	Allocation for debt service charges are charged items and not required to be tabled to Parliament Federal Constitution Article 98 (1)(b)	DSC ≤ 15% of revenue or operating expenditure

➤ Debt-to-GDP ratio should not be a cause for alarm for now

- 60.1%-93.1% in 1982-1991
- 60% is considered as a prudential limit
- Balance between higher debt binding limit and erosion of fiscal credibility



However, the growing mountain of debt should be viewed seriously

Resume fiscal consolidation when the economy recovers

- ✓ Committed to lower fiscal deficit to 4% of GDP in 3-4 years
- ✓ Find the right path between budget deficit (or fiscal stimulus) and sustainable debt level during the good times and stable years
- ✓ Macro-economic and political stability



Debt service charges (DSC) have been growing rapidly by 8.6% pa from RM15.6 billion in 2010 to RM32.9 billion in 2019, made up 12.5% of total revenue / operating expenditure.

Rebooting Malaysia

**Political stability is key to
macroeconomic stability and growth**

**Good sense and strong political will
must prevail to reset our national
development agenda**



Malaysia's six-pronged strategy to address COVID-19 impact



Malaysia has adopted six approaches or **6Rs** (**RESOLVE, RESILIENCE, RESTART, RECOVERY, REVITALISE AND REFORM**) to balance between the COVID-19 containment and people livelihood as well as the economy.



What to watch in 2020-2021?

- | | |
|----------------------|---|
| Aug 2020 (tentative) | – Economic Recovery Plan |
| Sep 2020 (tentative) | – 4 th Malaysia Industrial Master Plan (2021-2030) |
| 6 Nov 2020 | – 2021 National Budget |
| Jan 2021 | – 12 th Malaysia Plan (2021-2025) |

10-pin policy priorities in the immediate- and short-term

- **Broader stimulus.** RM295.0 billion or 21.1% of GDP fiscal, monetary and micro-financial **measures** to blunt the amplification of economic damages on households and businesses (targeted) in the immediate-and short-term.
- In the immediate-term, there is **pressure to reduce unemployment, revive consumer spending and stimulate economic growth.** Address investors' lingering concerns about **domestic political environment and future policy direction.** The immediate priorities are to:

1. **RESTORE CONFIDENCE ON ECONOMY AND POLITICAL STABILITY**
2. **SWIFTLY IMPLEMENT TARGETED FISCAL SPENDING**
3. **EASE COST OF DOING BUSINESS**
4. **HOLISTIC MANAGEMENT OF FOREIGN WORKERS**
5. **SUSTAIN PRIVATE CONSUMPTION; EASE UNEMPLOYMENT**
6. **REVITALISE PRIVATE INVESTMENT (DDI and FDI)**
7. **DIGITALISATION AND AUTOMATION**
8. **RESKILLING AND UPSKILLING WORKFORCE**
9. **UPLIFT EXPORTS CAPACITY**
10. **REJUVENATE CONSTRUCTION AND SLUGGISH PROPERTY SECTOR**

Rebooting Malaysia: Recovery, Revitalise and Reform



Malaysia's Economic Recovery Plan (ERP) in the medium- and long-term will constitute **FIVE** key pillars as follows:

- FISCAL STABILITY AND GROWTH STABILISATION PACT**
- UNLOCKING NEW SOURCES OF GROWTH**
- REINFORCE COMPETITIVENESS AND PRODUCTIVITY NEXUS**
- SMART AND DIGITAL TECHNOLOGY-DRIVEN INVESTMENT**
- UPSKILLING WORKFORCE AND EDUCATION FOR THE FUTURE**



The Government must continue to implement:

Credible economic policies

Institutional and political reforms

- *Including fiscal discipline, political stability and institutional quality*



Malaysia's **institutional quality** must be strengthened further with

A wider implementation of open and competitive tender

Fiscal transparency

Strengthen governance

To promote accountability and fiscal responsibility

Rebooting Malaysia: Recovery, Revitalise and Reform (cont.)



- Restore consumer and investor confidence on the economy and political stability.
- Macro and political stability are essential to ensure a sustained economic revival.



- Policy continuity and meaningful reforms should take priority to shore up confidence and economic sustainability.



- Avoid policy flip-flops as it hurts businesses and worrying investors.



Equal emphasis

RM207.9bn approved in 2019 : **FDI (40%) = DDI (60%)**

Ease cost of doing business



Enhance business friendly and competitive place of doing business and investing

DDI = Domestic Direct Investment

1



Corporate Tax Rate

from current's

Ordinary

24%

SME

17%*

* For first RM500,000 chargeable income

2

Review and upgrade:

- ❖ Domestic Investment Strategic Fund (DISF)
- ❖ Industry4WRD Intervention Fund
- ❖ Reinvestment Allowance
- ❖ Accelerated Capital Allowance
- ❖ Investment Tax Allowance
- ❖ Automation Capital Allowance



Rebooting Malaysia: Recovery, Revitalise and Reform (cont.)

Investing in “new smart infrastructure” used for high-tech, digitalisation and sustainable purposes (renewable energy, climate change, eco-green)

For example:

Big data centres

5G infrastructure

Charging stations for new energy vehicles (NEVs)

Defense technology

Solar energy

Healthcare

Medical devices

Aerospace

Digitalisation and e-Commerce

RM21.0 billion National Fiberisation and Connectivity Plan (NFCP) (2019-2023)

Industry4WRD Plan (2018-2025)

Malaysia's Digitalisation Plan

Malaysia's National e-commerce Strategic Roadmap



Smart agriculture – Food – Halal industry

Rubber products, palm oil and oil palm products and wood-based products





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谢谢
THANK YOU

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