

Speech by Dato' Sri Mustapa Mohamed,
Minister in the Prime Minister's Department (Economy)
The OECD 2021 Economic Survey of Malaysia

Mr. Mathias Cormann, Secretary-General of OECD,

Officers from the Government of Malaysia and the Organization for Economic Co-Operation and Development (OECD),

Ladies and gentlemen,

Assalamualaikum Warahmatullahi Wabarakatuh, and a very good afternoon.

1. It is my pleasure to extend a warm welcome to all, to the launching of the 2021 Economic Survey of Malaysia by the Organization for Economic Co-Operation and Development (OECD).
2. COVID-19 has had a major impact on peoples' lives and the global economy. Malaysia, like most countries in the world, has not been spared.
3. In the initial stages of the pandemic, Malaysia did a good job to contain the transmission of this deadly virus. For a number of days early last year, we recorded zero daily cases and zero daily deaths from COVID-19.
4. However, in recent weeks, Malaysia's cases and deaths have spiked up. We are hopeful that things will begin to plateau, and that we can begin opening up even more economic sectors.

5. Of course, this is also an economic crisis, in addition to a health crisis. Our economy contracted by 5.6% in 2020, one of the worst contractions in recent decades.
6. The only way out of this crisis is a rapid vaccination rollout and a gradual reopening of economic sectors. Thankfully, we are progressing well in this regard.
7. As of 11th August 2021, 40% of Malaysia's adult population has been fully vaccinated. We hope to reach 50% by the end of the month.
8. Once we reach herd immunity, we will continue our efforts in gradually opening up more sectors of the economy, subject of course to SOPs recommended by our health authorities.
9. Based on the OECD's projections, Malaysia is expected to grow by 4.3% in 2021 and 6.1% in 2022 – big improvements from 2020.

Ladies and gentlemen,

10. This unprecedented pandemic has forced us to revisit a number of our strategies. Above all, the crisis has highlighted the need for reform.
11. The 12th Malaysia Plan, i.e. the 12th edition of the country's five-year socioeconomic development plan, is a key opportunity for us to put in place the foundations of these reforms.

12. The Plan, which will be presented to Parliament at the end of September, will set out a clear strategic direction to place the country's economy on a stronger foundation post-Pandemic.
13. The Twelfth Plan will outline various strategies to build a *Prosperous, Inclusive and Sustainable Malaysia*.

Ladies and gentlemen,

14. The 2021 Economic Survey of Malaysia, prepared by the OECD has made a number of recommendations to stimulate economic revival and put our economy on a firm footing post-pandemic.
15. Among them is to prepare a post-COVID-19 medium-term fiscal strategy to reduce public debt and contingent liabilities.
16. Our fiscal situation has indeed been strained since last year by the economic contraction, a steep decline in revenues, and increased expenditure for healthcare and income support programmes.
17. While the Government will always put the *rakyat* first, especially during this time of need – when this crisis settles down and things normalize, we must begin to gradually set our economy back on a sustainable fiscal footing.
18. The OECD has recommended that the Government consider re-introducing the Goods and Services Tax as part of this medium-term fiscal strategy. At an appropriate time, this is something policymakers should consider.

19. The OECD has also recommended that we expand the coverage of employment injury insurance for the self-employed, to more sectors.
20. They have also recommended that we include workers in unregulated markets, such as gig-platform workers, in the pension scheme under the Employees Provident Fund.
21. These recommendations in the social protection space suggest that Malaysia must adapt to the changing socioeconomic landscape, and must implement quality regulation in unregulated markets in order to protect Malaysian workers.
22. The OECD has also suggested that Malaysia should introduce a carbon tax and gradually increase its rate over time, while at the same time, mitigating its impact on vulnerable households.
23. Malaysia will deliberate on some of the OECD's recommendations, and where suitable, will incorporate them into our medium term and long term economic policies.

Ladies and gentlemen,

24. As Malaysia positions itself for the next phase of its development, the 2021 Economic Survey of Malaysia has also suggested steps that Malaysia needs to take, in order to transition successfully to a high-income country, and to sustain equitable growth beyond the COVID-19 pandemic.

25. This is in line with our country's aspirations to achieve a decent standard of living for all Malaysians.

Ladies and gentlemen,

26. On behalf of the Malaysian Government, I would like to put on record, our appreciation to the OECD, especially those directly involved in preparing the 2021 Economic Survey of Malaysia, as well as to the Government of Japan for sponsoring this Survey.

27. With that, we look forward to the continuous and successful collaboration with the OECD in the years to come.

28. Thank you everyone.