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Opening Keynote Address

by

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For

KSI Strategic Institute for Asia Pacific's

**2020 Malaysian Banking and Finance High Level Meeting
and Virtual Conference**

23th July 2020 | Hotel Istana Kuala Lumpur City Centre

"Current Challenges Facing the Malaysian Economy"

Salutations

Tan Sri Michael Yeoh, President of the KSI Strategic Institute for Asia Pacific

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Introduction – Banking and Competitiveness

1. It is my understanding that this is a High-Level Meeting and Virtual Conference on Banking and Finance. Let me begin with the qualifier that I know nothing much about Banking.

2. I have never been a banker. However, allow me to say a few words about banking, by way of introduction.

3. In the last couple of decades or so, some of our banks have been doing very well, domestically and overseas. Some have successfully ventured into overseas markets, becoming world class in the process. And today, Maybank is in the Forbes Global 2000. In 2020, Maybank ranked the 349th largest public company in the world. CIMB is recognized in the Asian Banker's League Table as one of the top 10 banks in the Asia

Pacific. Public Bank Group has a wide network branches in Hong Kong and China, Indo-China region and Sri Lanka. The three brands are well known in the region. They have made us proud. It is my hope that more Malaysian banks and financial institutions make it to the global stage.

4. Today, I have been asked to speak on the subject “*Current Challenges Facing the Malaysian Economy*”. These are indeed very challenging times.

5. This morning, I would like to focus on a particular challenge that has been present even before the COVID-19 pandemic – Competitiveness.

Regional Competition and the Singapore Success Story

6. It is a fact that competition has become more intense in the last couple of decades. This has posed challenges to our policy makers. Among middle tier countries in the region, Malaysia’s economic growth rate of 4.3% in 2019 was lower than our regional peers. Vietnam has recorded an impressive rate of 7%, the Philippines, 6% and Indonesia, 5%.

Ladies and Gentlemen,

7. As we all know, there are many competitiveness rankings in the world. But for economic related rankings, there are three major ones.

8. They are the World Competitiveness Ranking by IMD, Ease of Doing Business Report by the World Bank and Global Competitiveness

Report by the World Economic Forum:

- In the IMD World Competitiveness Ranking 2020, we ranked 27th out of 63 countries, declining 5 notches from 22nd in 2019;
- Malaysia ranked 27th out of 141 countries in 2019 in the WEF Global Competitiveness Index compared to 25th in 2018; and
- In the World Bank Ease of Doing Business report 2020, Malaysia ranked 12th out of 190 countries, moving up 3 notches compared to the year before.

9. Our neighbour, Singapore, has consistently been ranked in the top-tier of these rankings.

10. In higher education, the QS World University Rankings 2021 ranked the National University of Singapore (NUS) at number 11 and Nanyang Technology University (NTU) at number 13. Whereas Malaysia's best university, Universiti Malaya, is at 59th and is the only Malaysian university that made the top 100. We are proud of the Universiti of Malaya. However, our universities need to work harder provide quality education to our young people to prepare them for a more challenging future.

11. I know some of us do not like to be compared to Singapore. Singapore is of course, a small city state. There are many advantages to being small, and hence it may not be an apple-to-apple comparison to Malaysia. We have a different socioeconomic make up. We have a different history. Nevertheless, it is useful to observe the success factors of Singapore and explore what we can do to improve our rankings.

12. The factors that have led to Singapore's success – stable Government, high quality education, a dedication to meritocracy, business friendly policies, the focus on innovation, excellent soft and hard infrastructure, and a focus on high-end manufacturing and finance – are among the factors that have resulted in Singapore doing well.

13. Singapore has been a developed country for many years.

14. There is a lot of catching up to do. To maintain our position as the most competitive economy in ASEAN after Singapore, we have to buck up and get our act together.

15. COVID-19 has provided us a window to address some structural issues in the economy and to implement bold changes and radical reforms.

COVID-19 – Economic Reforms

16. A day after the new Cabinet was sworn in, the Prime Minister announced the establishment of the Economic Action Council (EAC).

17. The EAC, chaired by the honourable Prime Minister, has been very focused in designing and implementing strategies to deal with our socioeconomic challenges, especially those arising from COVID-19.

18. To get to where we are today, there have been many engagements and close coordination between all agencies of government, businesses and various organizations involved in the recovery process, including the Association of Banks Malaysia.

19. The Economic Action Council has deliberated on many issues and the economy has already shown signs of recovery.

20. For instance:

- The movement of people in retail and recreation has improved significantly to about -20% currently compared to -80% during the MCO period;
- Retail activities have regained momentum with the number of visitors to malls reaching half the level recorded before the MCO.
- Vehicles on tolled highways has normalised to pre-MCO levels at about 4 million vehicles a day;
- Maximum electricity demand has been restored to its normal of about 17 thousand Megawatt since its unprecedented decline to 13 thousand Megawatt during the MCO;
- More than 85% of construction sites are back in operations;
- Domestic tourism has also rebounded. Hotel and resort bookings are picking up, albeit relatively slowly;
- The number of applications for manufacturing licenses are on the rise after hitting its lowest levels in April 2020; and

21. COVID-19 has presented opportunities for us to reform on many fronts. The Mandarin word for crisis, "WAY-JEE", is composed of two characters — one meaning danger and the other opportunity. Going forward, the Government will address a number of issues in the long-term economic recovery plan. There are a few, but I would like to highlight three of them:

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- Addressing red tape and regulatory issues. For example, according to the World Bank, businesses in Malaysia need to take 17 days to deal with procedures related to starting a business. This is compared to only 1.5 days in Singapore and Hong Kong and eight days in South Korea;
- The mismatch between labour demand and supply; the unemployment of youth and fresh graduates; the low percentage of skilled workforce; and our high reliance on low-skilled foreign workers is contracting the Malaysian economy's ability to compete effectively. For example:
 - Less than a third of our workers are in the skilled category. This has barely improved in the past 10 years;
 - In 2019, non-citizen workers make up about 32% of total employment in the agriculture sector, about 23% in the construction sector – about 22% in the manufacturing sector – and about 10% in the services sector;
- Low technology adoption among firms, especially the SMEs.

Ladies and Gentlemen

22. Early this week, the Government announced the MyMudah initiative to streamline unnecessary bureaucratic hurdles that are stifling businesses, especially those impacted by the COVID-19. Businesses can now lodge their complaints of regulatory hurdles through the Unified-Public-Consultation Portal managed by the Malaysia Productivity Corporation (MPC).

23. The Government has also upgraded the national employment services portal, MYFutureJobs. The portal provides job matching services for job seekers to secure work tailored best to their skills and competencies. When there is a mismatch between the skills of the job seekers and the jobs available, they will be linked to opportunities to be reskilled and retooled.

24. Further, we will ramp up our digital agenda. We will accelerate technology adoption and automation, especially for SMEs. This will not only increase efficiency and productivity, it will also help to reduce the reliance on low-skilled workers.

25. This Government will do all we can to boost Malaysia's economic competitiveness and attract quality investments.

Ladies and Gentlemen,

26. In the next nine months, the Government will be presenting three major documents, i.e. the medium- and long-term economic recovery plan, the Budget 2021 and the 12th Malaysia Plan.

27. Early next year, the 12th Malaysia Plan will be presented to Parliament for approval. The Plan will outline the key strategies and initiatives that will serve as a guiding principle in navigating Malaysia for the next five years, 2021-2025. The 12MP will establish a clear strategic direction in ensuring inclusive and meaningful socioeconomic development to achieve a more prosperous society by 2030.

28. The Plan will be aligned with the Shared Prosperity Vision 2030 and the United Nations' 2030 Agenda for Sustainable Development.

29. In the Twelfth Plan, new economic sectors and areas will be identified and developed to create economic opportunities for the rakyat.

30. Bold strategic shifts are necessary to address low value-added economic activities, inequitable income distribution and regional disparity.

Ladies and Gentlemen,

31. The COVID-19 pandemic has exposed a number of vulnerabilities in the Malaysian economy. We now have a window of opportunity to implement radical reforms.

32. Let us seize the moment. Let us be bold in making tough choices. This is the only way forward. We do not have a choice. Let us commit ourselves to achieving the Shared Prosperity Vision by 2030.

33. Development for all, addressing wealth and income disparities, and achieving a united, dignified, and prosperous nation must be our clarion call.

34. Thank you.