



EPU Webinar

The Twelfth Plan: Developing the Nation in the Spirit of Keluarga Malaysia

12th Malaysia Plan: Industry Perspective and Expectations

September 7, 2021, 9.30 am via Zoom





Outline

- **Manufacturing Performance Before and After Covid-19**
- **Industry Perspective**
- **Industry Expectations**



Manufacturing performance before and after Covid-19

1. Business very challenging both at domestic and international levels compounded by the Covid-19 pandemic.
2. Need to boost economic activities, support business recovery and resilience, increase efficiency and contain increasing cost.

Manufacturing contribution to GDP dropping over years & stagnant since 2013

1990	26.9%
2000	32.3%
2007	30.1%
2008	24%
2013-2020	23%

- **2Q21 seasonally adjusted, quarter-on-quarter mfg growth decline by 1.5% as result of MCO3.0 due to limited operations**
- **Manufacturing however remains catalyst of growth and must be supported**

GDP growth by economic components	2019	2020				2021	
		Q1	Q2	Q3	Q4	Q1	Q2
Services	6.1	3.1	-16.2	-4.0	-4.9	-2.3	13.4
Manufacturing	3.8	1.5	-18.3	3.3	3.0	6.6	26.6
Mining and Quarrying	-1.5	-2.0	-20.0	-6.8	-10.6	-5.0	13.9
Agriculture	1.8	-8.7	1.0	-0.5	-0.7	0.2	-1.5
Construction	0.1	-7.9	-44.5	-12.4	-13.9	-10.4	40.3

Source: Bank Negara Malaysia



Industry Perspective

- RMK12 and Budget 2022 are set on Shared prosperity and to revive the economy
- **Sense of optimism** – Vaccination rate increasing, restriction on operations easing, border closures slowly easing. Nevertheless, restrictive measures on key manufacturing states remain i.e. Selangor, Johor
- **V-shape recovery is expected** in Malaysia to catchup and achieve high-income economy before 2028 (MOF, 2021). GDP growth rate is expected to rise drastically from -5% (2020) to 3.0-4.0% (f2021) (BNM, August 2021)
- External demand is growing; however exports (11%) is growing at slower rate than imports (13%) could make Malaysia continue **stuck in the deindustrialisation dilemma**. (DOSM,2021). Premature deindustrialisation is prevalent in Malaysia since 1990s and has not improved since then
- **No longer attractive as low-cost location** thus **productivity rate needs to improve** and **focus on higher value-added manufacturing sectors** including exports sophistication which are crucial to achieving the high income level status.



Industry Perspective

- **Investor confidence has been dampened** by pandemic and uncertainties in opening of economy.
- There **may be departure of investors** due various reasons as well as nearby **regional countries becoming more competitive**
- **Supply chain disrupted** due to global lockdowns and **dependence on imports**
- Manufacturing operations and trade now **driven by speed of technology adoption, digitalisation and knowledge**
- Economic recovery may see some downsizing; mergers; diversification, or business closures. Widening **skills gaps; higher cost/investments in technology, digitalisation, automation; reskilling/upskilling**; adjusting to new normal of business operations. Adjustments require **support, time and resources**.



Industry Expectations

- ❖ **Investments are central to growth, sustainable development and to address premature deindustrialisation**
 - To foster **highly skilled job creation, productivity growth & high income economy**
 - **Attract FDI in high tech & value-added investments**. Complete value chain of complex and sophisticated products
 - **Adequate and modern and up-to-date infrastructure**
 - ✓ Industrial parks / clusters with ready made lots for investors to set up quickly
 - ✓ **Fully High-Tech Special Investment Zones** as smart manufacturing campus
 - Reduce risk of supply chain disruptions - develop near-shore options

- ❖ **Dynamic labour force that is globally competitive; adapt and adjust to changes**
 - **TVET pivotal for economic transformation**; attracts investment; support smart & knowledge based manufacturing; core to innovation & productivity
 - Move towards more **demand-driven approaches** including “Place & Train” models, co-ownership models, Centres of Excellence, teaching factories, etc
 - **Clear and holistic foreign labour policy** needed to support manufacturing

- ❖ **Innovation and Research & Development** - pivotal roles in laying the foundation of economic development and growth, and in improving the people’s wellbeing



Industry Expectations

❖ Continued efforts to boost trade / expand markets

- Strengthen forward and backward linkages & lengthen global value chain
- Continue to pursue more FTAs
- Build local capacity to take opportunity of changes in global market landscape
- Support new business/diversification into essential goods and for import substitution
- Promote Buy Made in Malaysia starting with Government Procurement

❖ Acceleration technology adoption and digitalisation

- Critical to adapt to the 'new normal' and to transform manufacturing
- SMEs need assistance to bring them towards next level of industrialisation.
- Online/digital platform preferred way to do business.
- Efficient delivery system especially the local logistics ecosystem.
- Affordable and good quality broadband access

❖ New Growth Areas

- Reduce food imports and encourage more local agriculture and aquaculture
- Focus on green and renewable industries
- Cost-saving and environmental-friendly production techniques
- Improvement in logistics ecosystem



What Industry Needs on Policies

FMM's 4 Guiding Principles in Shaping Policy

Credibility

Practical, pragmatic, implementable, good intention, with consultation, sufficient lead time to adjust, level playing field

Consistency

No sudden shifting of goal posts, rules applied consistently at Federal, State & inter-agency levels

Clarity

Clearly defined, explicit outcomes, no room for discretion, proper documentation, transparent rules, procedures and guidelines

Certainty

Published and gazette, monitor effectiveness, accessibility and approval assured

Improve Economic Growth by focusing on generating **better revenue and lower costs of doing business**

Improve Wellbeing of People by focusing on **enhancing the purchasing power and lower cost of living**

Improve Confidence level of both foreign and domestic investors by focusing on **Right Policies; Strengthen Capital Market and Currency (RM)**

Improve Institutional Reforms especially by focusing on **Anti-Corruption and betterment of government administration efficiency**

FMM's and Industry's Expectations



THANK YOU

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FMM Advocates Transparency, Integrity and No Corruption