

**WELCOME ADDRESS FOR TAN SRI ABDUL WAHID OMAR
MALAYSIAN ECONOMIC SUMMIT
12 OCTOBER 2020**

Yang Berhormat Senator Tengku Dato' Sri Zafrul Abdul Aziz
Minister of Finance

Yang Bahagia, Datuk Seri Mohamed Iqbal Rawther
Chairman of the Economic Club of Kuala Lumpur

Distinguished Speakers and Panellists,

Ladies and Gentlemen,

Assalamu'alaikum and a very good morning,

1. Welcome to Malaysian Economic Summit 2020. Our special thanks and gratitude go to YB Minister of Finance for joining us this morning albeit virtually in compliance with his quarantine order. We know how busy he is given the upcoming Budget 2021 to be tabled on 6th November 2020. Thank you YB Tengku.

Ladies and gentlemen,

2. Today's summit could not have come at a more crucial time as we confront the combination of a health and economic crisis head-on. To make matters worse, a wave of new COVID-19 infections has prolonged the uncertainties, with continued rise in unemployment and fiscal contraction in most nations, rich or poor.
3. Efforts to contain COVID-19 in emerging and developing economies, including low-income economies with limited healthcare capacity, could precipitate deeper and longer recessions, exacerbating a multi-decade trend of slowing potential and productivity growth.
4. The Organisation for Economic Cooperation and Development (OECD) estimates that a second wave would result in the decline of global GDP by more than 7.5% and 40 million people losing their jobs.
5. Despite the current optimism in stock markets, uncertainty about COVID-19 remains pervasive. The coming months will give us an indication about the shape of the global recovery.

Malaysia has entered into this crisis from a position of strength

Ladies and gentlemen

6. We must admit that none of us saw this global pandemic coming. But Alhamdulillah, Malaysia entered into this pandemic from a position of strength. Solid fundamentals built over the years have accorded us some resilience to deal with such shocks on several counts: -

First, our healthcare system has demonstrated robustness and resilience during this crisis.

Second, our diversified sources of growth and external trade structure has helped mitigate domestic and external developments.

Third, The continued presence of domestic and institutional investors as well as our deep and liquid financial markets, remain supportive of an orderly financial market condition.

7. And the multi-pronged approach by the Government, Bank Negara, the Securities Commission and the private sector in responding concertedly and swiftly have helped us endure and recover to some extent from the economic impact of the COVID-19 pandemic.
8. The signs have been positive. Key indicators, such as wholesale and retail trade, industrial production and exports, have rebounded significantly since the economy resumed in early May and the start of the recovery MCO effective from 10 June 2020.
9. According to the Department of Statistics, the year-on-year June GDP estimates show that the contraction of 3.2% was far less severe compared to April's contraction of 28.6%. And Malaysia's external trade performance has generally improved and even registered positive growth in June and July, averaging almost 6%.
10. Notably, whilst 2020 GDP is expected to contract by -3.5% to -5.5% , there is consensus that growth in 2021 will be stronger, with Bank Negara projecting a range between 5.5% to 8.0%, and World Bank projecting a GDP growth between 6.3% and 6.5%.

Economic recovery still subjected to downside risks

11. But are we really out of the woods yet? How strong and sustainable will the recovery be? Admittedly, the pace and strength of our recovery are still subjected to several downside risks.

Firstly, the global economic conditions remain weak with The World Bank projecting global 2020 GDP contraction of -5.2%.

Secondly, global infection numbers continue to surge, and further waves of infections could lead to the re-imposition of lockdowns and other containment measures.

Third, weaknesses in our labour market conditions could weigh on private consumption. The latest unemployment rate of 4.7% in July 2020, although having improved from 5.3% in May, remains elevated.

Fourth, the re-escalation of trade tensions between major economies could cause renewed disruption to trade and pose additional challenges to the global economy.

Corporate Reforms and the importance of PLCs to Perform

Ladies and Gentlemen,

12. With the recession having significant effects on potential output, reforms that bolster long-term growth prospects will be essential.
13. The latest Rating Agency Malaysia Business Confidence Survey has indicated that SMEs and micro-businesses still need supportive policies to stay afloat as they continue to face short-term financial liquidity challenges amid the COVID-19 pandemic.
14. Similarly, lacklustre corporate earnings in recent years are now further weakened by the impact of the COVID-19 pandemic.
15. While the performance of PLCs had generally been on an upward trend between 2004 to 2015, PLCs have shown a decline in key profitability and several growth ratios thereafter. Catalysts are needed to help businesses emerge stronger and quicker from the COVID-19 crisis and be future-ready, especially with the intensifying competition globally.
16. Fast action is also needed to ensure domestic companies remain competitive on a regional and global scale and become catalysts for Malaysia's transition towards becoming a developed market and high value-added, high-income economy.

17. We need to re-look and possibly replicate past successes such as the GLC Transformation program that was introduced in 2004. Over the 11 years period, the net profits of 17 GLCs grew by 10.2% per annum from RM9.9 billion to RM26.2 billion, while their combined market capitalisation grew 2.9 times from RM133.8 billion to RM386 billion. This represents a total shareholder return of 11.1% per annum. Other non-GLCs similarly performed well over the same period, reflected in the improvement of the FBMKLCI from 907.43 to 1692.51 or a CAGR of 5.8% over the same period.
18. Perhaps a PLC transformation program covering areas such as KPI setting, talent development and sustainability practices will all help in developing robust businesses in our marketplace. Such reforms will not only aid the country's recovery but will also deliver various positive outcomes that can drive greater market confidence in the economy.

Ladies and Gentlemen,

19. In this time of crisis, we must remember that this too shall eventually pass. As always, an economic downturn is followed by a rebound. How well and quickly we get through this depends on all of us here today, acting now and acting in concert together.
20. I would like to take this opportunity to thank the organisers, KSI and The Economic Club of Kuala Lumpur who have been instrumental in making sure the hard questions will be discussed during this event. Special thanks again to YB Tengku for gracing our Summit this morning.
21. To all, thank you for joining us and I wish you a productive session ahead.