

WELCOME REMARKS FOR TAN SRI ABDUL WAHID OMAR
“Spurring Malaysia’s Productivity and Growth After the COVID-19 Pandemic”
13 July 2021

[Opening]

Yang Berhormat Senator Datuk Lim Ban Hong
Deputy Minister of International Trade and Industry,
Representing the Senior Minister Dato’ Seri Mohamad Azmin Ali

Yang Berbahagia Tan Sri Michael Yeoh
President, KSI Strategic Institute for Asia Pacific

Yang Berbahagia Datuk Seri Mohamed Iqbal Rawther
Chairman, The Economic Club of Kuala Lumpur (ECKL)

Distinguished Speakers & Panellists,
Ladies and Gentlemen,

Assalamu’alaikum warohmatullahi wabarakatuh and a very good morning.

1. Welcome to the Malaysian Economic Summit 2021. This is the second year that the Summit is being held digitally, and with COVID-19 showing no signs of slowing down anytime soon, this hybrid assembly is becoming the new norm that we must all accept.
2. We are grateful for YB Senator Datuk Lim Ban Hong, representing the Senior Minister of International Trade and Industry for gracing our event this morning. We have four high-level panels of interesting speakers today to be moderated by Dato’ Seri Mohammad Iqbal, Prof Dato’ Rashila, Tan Sri Sulaiman Mahbob and Mr Wayne Lim. And of course we will have YB Dato’ Sri Alexander Nanta Linggi delivering a special address later this afternoon. I am sure we are looking forward to that.

Ladies and Gentlemen,

3. 2021 has been a tough year for the world as well as for Malaysia. The COVID-19 pandemic has infected more than 186 million people and claimed the lives of over 4 million people to date. In Malaysia, our cases have reached over 800,000 with more than 6,000 deaths. The severity of the current wave of the pandemic has put significant strain on Malaysia’s public health system. Most hospitals managing COVID-19 patients currently operate at capacity with intensive care units (ICUs) dedicated to treating COVID-19 patients operating at more than 90% of their capacity.

4. It is interesting to see a different situation in the United Kingdom (UK). The UK went into their third national lockdown on 6 January 2021 after daily new cases crossed 50,000 and the number of deaths crossed 400 per day. On 17 May 2021, the day I arrived in the UK, they uplifted the lockdown partially and allowed almost all economic sectors to reopen. This includes allowing dining-in at restaurants for up to six persons per table. At that time, the number of daily new cases had dropped to 2,000 with only 4 deaths. Yesterday 12 July after only eight weeks, the daily new cases had jumped 17-fold to 34,000 but number of deaths remained low at 6 (200 over the last 7 days). What is different? Well, it is the vaccination rate. 66.2% of the total UK adult population have been vaccinated with 2 doses whilst 87.2% have been vaccinated with at least one dose. With this, the UK is expected to uplift the lockdown fully come Monday 19 July 2021.
5. This proves the point that the Malaysian Government's efforts to ramp up vaccination rate should be lauded so that the lockdown can be uplifted soonest possible to help save the economy and people's livelihood. Based on covidvax.live , some 11.6 million doses have been administered with 3.6 million (11.2%) fully vaccinated and 8.0 million (24.6%) received at least 1 dose. At the current rate of 337,000 doses per day, Malaysia could have 70% of people fully vaccinated in 100 days ie by end October 2021. It is therefore our hope that as the vaccination rate increases, we can uplift and do away the broad-based lockdown and have more targeted EMCOs only in highly infected/affected areas.

Ladies and Gentlemen,

6. The theme of this year's Summit is "Spurring Malaysia's Productivity and Growth After the COVID-19 Pandemic". The topics to be discussed today are all relevant to the current times and imperative as we look towards new approaches in navigating Malaysia's strained economy along a path of robust, sustainable, and inclusive recovery.
7. After contracting by 3.3% in 2020, the global GDP is expected to rebound to 5.8% in 2021 based on OECD's global projection for global economic growth. However, the global income (as measured by GDP at current prices) will still be roughly one trillion USD below its pre-crisis trend by the end of next year as emerging countries struggle to keep up. Supply-chain disruptions and bottlenecks around the world have driven material prices higher in recent months. OECD estimates that inflation will increase to an average of 2.7% in 2021 before cooling to 2.4% next year as government support programs are relaxed.
8. Closer to home, Malaysia's GDP marginally contracted by 0.5% in the first quarter of 2021, continuing its recovery from a contraction of 3.4% in the preceding quarter. The improvement in economic performance in Q1-2021 was due to:
 - a. expansion in manufacturing sector and the rebound of agriculture sector;

- b. strong growth in exports;
 - c. reopening of more economic activities during the Movement Control Order (MCO) 2.0 which is less stringent than the MCO imposed last year and;
 - d. various stimulus economic packages by the government.
9. Having said that, the recent MCO 3.0 and subsequent Full MCO (FMCO) has stifled the recovery. After reviewing the current situation, the World Bank has lowered its GDP growth outlook for Malaysia for the second time to 4.5 % in 2021 - down from the 6 % growth forecast in March 2021. The pandemic has had an asymmetric impact on sectors and regions. For example, the food & beverage sector experienced higher closure rates, particularly in the Northern states, where vendors largely rely on tourists from Kuala Lumpur and Selangor to patronise their food trails. Other manufacturing sectors have experienced particularly high closure rates in East Malaysia. I believe there is a need for the customisation of policies and programs to enable the identification of sectors or regions where more support is needed.

Ladies and Gentlemen,

10. Any government facing this unprecedented once-in-a-century crisis would be taken by surprise. The concerted and rapid response from the government, central bank and the private sector towards the crisis, using a combination of fiscal, monetary and fiscal measures should be commended. The government has introduced eight economic packages from PRIHATIN in March 2020 to the most recent PEMULIH last month. These packages are collectively worth RM530 billion. Out of this amount, a significant RM83 billion are in the form of direct fiscal injections.
11. Many may complain the stimulus packages are inadequate. But without the broad-based tax such as GST, the Government's resources are rather limited with fiscal deficit of 6.2% of GDP in 2020 and expected to widen further to 6.8% in 2021 compared to the earlier official forecast of 6.0%. The government has been prudent and introduced initiatives that do not unnecessarily put strain on our fiscal position but at the same time, cushion the rakyat from the worst effects of the economic downturn. It is a delicate balancing act. But too wide a fiscal deficit and high government debt level may risk a downgrade in credit rating resulting in higher borrowing cost and potentially weakening the currency. Having said that, the saving grace is that our current account in our balance of payments for Q1 2021 remains healthy at RM12.3 billion or 3.3% of GDP, our BNM international reserves of USD111 billion is sufficient to finance 8.2 months of retained imports and the banking system remains well capitalised with core equity tier one ratio of 14.8%, sufficient buffer against unexpected risks.

Ladies and Gentlemen,

12. The next few months will be absolutely crucial for our economy. Achieving the milestones of the National Recovery Plan will be pivotal for an economic rebound. Transitioning between the four phases will not be easy with the recent

wave of COVID-19. But I am optimistic we can - and we must - achieve it. On the financing side, Malaysia's banking system remains resilient and will continue to serve as a pillar of strength to support our domestic economic recovery. In Moody's Investor Service May 2021 sector update, Malaysia's banking system's macro profile was rated as 'strong', higher than several of our regional neighbours.

Ladies and Gentlemen,

13. If the COVID-19 pandemic has taught us anything, we, as humans, must adjust to a new normal and resume global economic activities with greater resilience and agility. We must explore all possibilities in this space. One approach that comes to mind is the inclusion of sustainability concepts and good ESG practices in our business strategy.

With businesses having to contend with unprecedented disruptions arising from the pandemic, the recent mainstreaming of sustainability and good ESG practices has also intensified.

14. There is a enough data suggesting organisations that adopt sustainable and ESG principles are better at managing risks and volatile market swings and are more resilient than peers who do not. A robust and sustainable corporate and private sector promotes a more favourable business environment while improving the country's economic stability and generating long-term prosperity for society as a whole.

Ladies and Gentlemen,

15. The journey to rebuilding Malaysia's economy after the pandemic will not be an easy one, but it is critical for all of us to remain united as we navigate our way out of the economic downturn brought on by the virus. I know this pandemic is different and more challenging. But we have made it through the 1997 Asian Financial Crisis and the 2008 Global Financial Crisis, and with the help and grace of the Almighty, Insyah Allah, we will make it through this one as well.
16. Thanks again Yang Berhormat Senator Datuk Lim Ban Hong for gracing our Summit this morning. My appreciation to all the panel speakers for bringing your insights to the conversations we will have today. To all participants, thank you very much for joining us, and I wish you a productive Summit ahead.

Thank you.