

# **BANK NEGARA MALAYSIA**

*Invest Malaysia 2022*

*Fraziali Ismail*

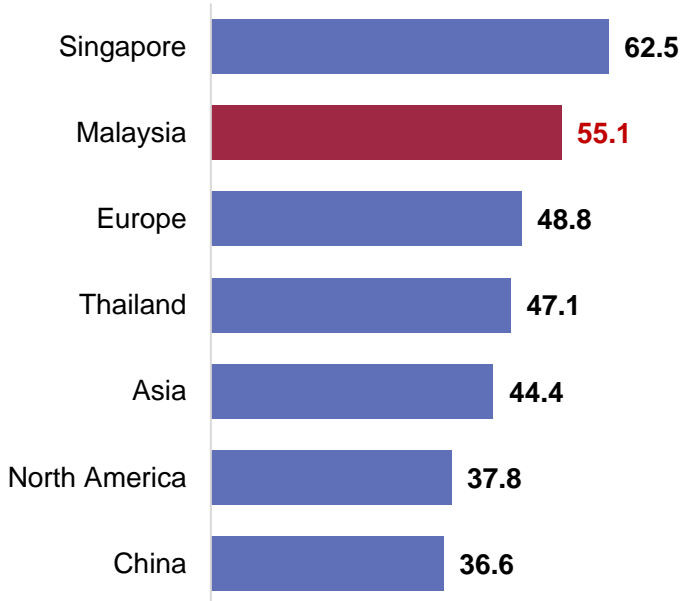


# Malaysia to benefit from the changing landscape of Global Value Chains (GVCs)

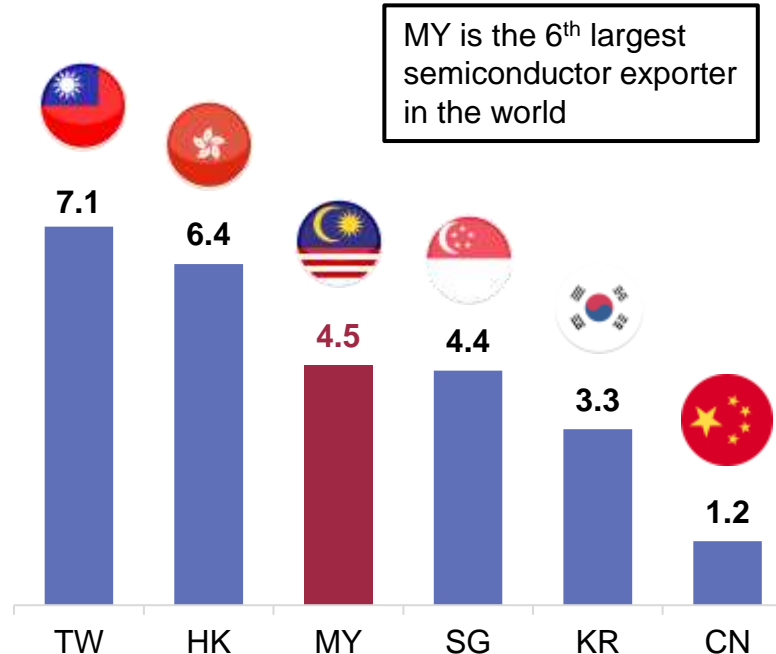
Malaysia is highly integrated in the GVCs which are evolving currently<sup>1</sup>

Malaysia's comparative advantage and enabling ecosystem in the E&E sector allow us to capitalise on the opportunities

**GVC Participation Index, 2018**  
% of total gross exports



**Revealed Comparative Advantage (RCA) of Semiconductors for Selected Countries, 2021**  
RCA Score



Note: Revealed comparative advantage (RCA) of larger than 1 means the country is a competitive producer and exporter of that product relative to a country producing and exporting that good at or below the world average.

Source: UNCTAD



**E&E clusters throughout Malaysia**  
*e.g. Penang, Johor, Kulim*



**Strong ancillary industries and well-developed infrastructure**  
*e.g. procurement centres, logistics, ICT*



**High adaptability with growing adoption of innovative technology**  
*e.g. design optimisation of semiconductor chips*

<sup>1</sup> Developments in GVCs reconfiguration include diversification, reshoring and regionalisation.

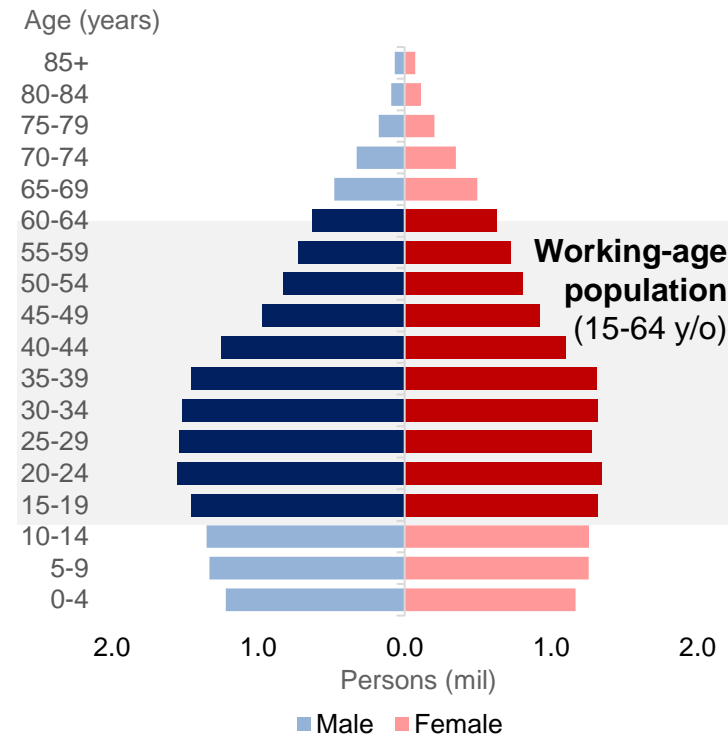
Note: GVC participation index provides an estimation of how much an economy is connected to global value chains for its production and foreign trade

Source: World Trade Organization, OECD

# Paramount to accord stronger focus on policies to address demographic challenges

While 70% of the population are in the working age group...

**Population by Gender in Malaysia, 2022**  
(years, mil persons)



...we are becoming an ageing society...



Malaysia is expected to be an aged society (14% of the population aged  $\geq 65$  years old) in ~20 years from now

...confronted with multiple challenges



## Depleting savings

RM145 bil withdrawal from various EPF withdrawal schemes



## Brain drain

~500K high-skilled Malaysian workers aged  $\geq 25$  years old who are living abroad in 2022  
(2010: ~280K to ~450K persons)

This necessitates a shift from short-term measures to longer term policies



**Raise income growth**



**Enhance social protection**

Source: Department of Statistics, Malaysia, United Nations, Employees' Provident Fund, EMIR Research, World Bank

# Post-pandemic priority is to shift to longer-term policies to secure a sustainable and inclusive growth

Waning of previous growth drivers (4Cs) could hamper the strength and sustainability of the recovery

Priorities on longer-term policies to complement short-term measures

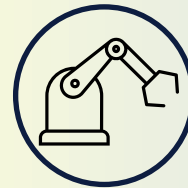
- 1** China's growth rebalancing to lower support to Malaysia's external trade
- 2** Slower Credit growth amid high levels of indebtedness
- 3** Heavy reliance on low-skilled, Cheap labour inhibits movement up the value chain
- 4** Commodity prices are subject to domestic and external developments



Attracting high quality investments to help create high-value added activity and high-paying jobs



Developing and nurturing an agile and a future-ready workforce through upskilling and reskilling



Accelerating adoption of automation and digitalisation



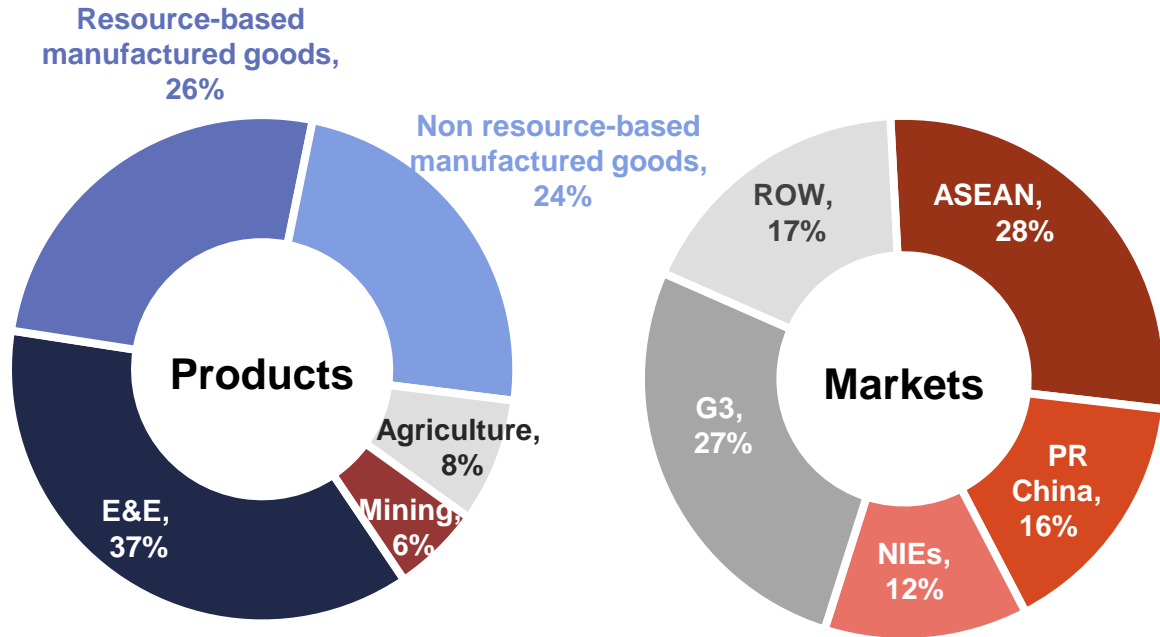
Adopting the Environmental, Social and Governance (ESG) agenda holistically across the economy

# Strength in diversity: Sectors, markets, products, geography

## Diversified exports by products and market

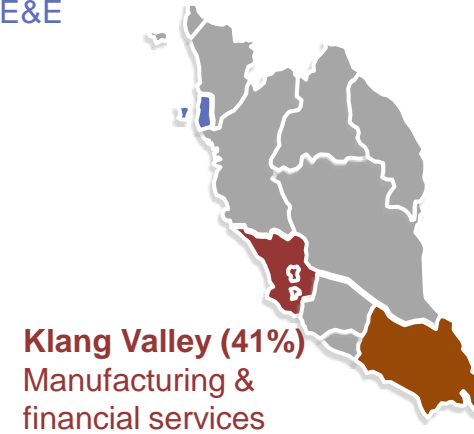
### Exports by Products and Markets (2021)

% Share of Total Exports



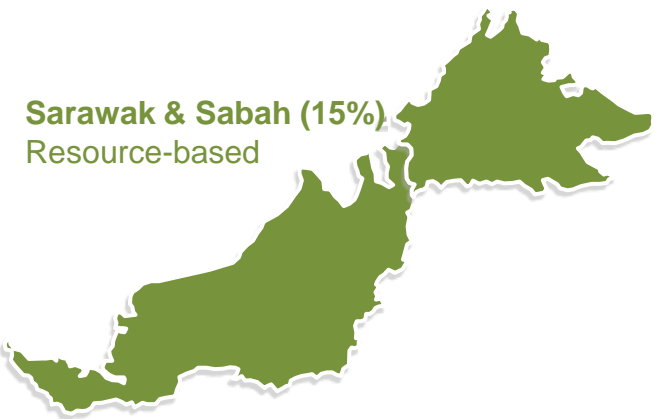
## Diversified growth centres throughout the country

Penang (7% of MY's 2021 GDP)  
E&E



Klang Valley (41%)  
Manufacturing & financial services

Johor (10%)  
Consumer services



Sarawak & Sabah (15%)  
Resource-based

Note: G3 includes the US, the euro area and Japan. Newly Industrialised Economies (NIEs) refers to Hong Kong SAR, Korea and Chinese Taipei. ASEAN excludes MY.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates