



PREFACE



**MINISTER OF FINANCE
MALAYSIA**

The International Monetary Fund forecasts the world's economy to expand at a slower pace of 3.2% in 2019 versus 3.6% in 2018, amid the persistent trade war between China and the US. Global trade is projected to grow at a subdued rate of 2.5% on account of weaker investment and industrial activities. The Government will adopt necessary measures to contain or mitigate any negative impact on the Malaysian economy resulting from the unresolved trade disputes.

Despite the external headwinds, the Malaysian economy is expected to grow at a respectable rate of 4.7% in 2019. In 2020, the Government projects the Malaysian GDP to rise at a faster pace of 4.8%, backed by sound fundamentals that include strong and trustworthy public institutions, a healthy labour market, low and stable inflation, comfortable current account surplus, and a well-diversified economy. Malaysia's sound banking system and well-developed capital market are more than capable of providing sufficient liquidity for various economic activities.

The China-US trade war is reorienting the global supply chain. As a competitive regional safe haven with excellent infrastructure, solid rule of law and skilled multilingual workforce, Malaysia is benefitting immensely from changes in the global supply chain through investment and trade diversion. According to the MIDA, approved foreign investment in the first half of 2019 rose 97.2% to RM49.5 billion from RM25.1 billion in the same period last year. These foreign investments largely came from China, Japan, Singapore and the US.

To raise Malaysia's competitiveness further and deepen our role in the reorienting global supply chain, the Government is encouraging the widespread use of new technology, along with private investment in high-value, high-technology and knowledge-based areas. Specifically as stated in the Industry4WRD policy, the Government has identified Industry 4.0 as the key growth engine that will play a big role in ensuring sustainable economic growth for the future. Transforming to a digital economy will allow the Government to prepare the young for the future.

To quicken the proliferation of IR 4.0 technology in the economy, the Government is addressing critical gaps in national digital connectivity through the implementation of the National Fiberisation and Connectivity Plan (NFCP). The plan calls for RM21.6 billion worth of digital infrastructure spending across five years from 2019 to 2024 for the purpose of strengthening and expanding broadband internet coverage in the country, while raising internet speed at an affordable prices for consumers and businesses. While the Government places a premium on economic growth, there is a need to ensure that growth is of high-quality and felt by the ordinary people on the streets. High-income

status will be meaningless if ordinary Malaysians do not get a share in the prosperity of the country. Towards this end, the Government is now advocating for Shared Prosperity, a new direction calling for an economic growth that leaves no one behind.

The Government is undertaking a special mission to protect the most vulnerable groups. This could be seen through the introduction of various social programmes such as Bantuan Sara Hidup, MySalam national health protection scheme, Skim Peduli Kesihatan B40 (PEKA B40), i-Suri and FoodBank.

Meanwhile, public concerns over rising living costs are being addressed through the support and stabilisation of fuel prices through the capping of RON95 and diesel retail prices, as well as the introduction of MyRapid passes and i-Keep. These measures have successfully kept inflation under control, as it averaged only 0.5% in the January – August 2019 period. Inflation for the whole of 2019 is expected to be 0.9%, compared to 1% in 2018. Meanwhile, the Home Ownership Campaign has been launched to reduce the cost of home ownership for Malaysians. Additionally, the Government is designing a Cost of Living Index to assist employers in determining the appropriate living wage and the requisite salary increment for their employees accounting for living costs.

The quality of institutions is important in enabling long-term economic growth. The Government is pressing on with its institutional reforms, especially with respect to public finance. Open tender is now the norm in Government and this has made government procurement processes more transparent than ever. The level of transparency in the public sector will be enhanced further when the Government completes its shift towards accrual-based accounting from cash basis within three years. Once the shift is completed, the Government will have a comprehensive consolidated view of all of its financial obligations, which has never been systematically recorded previously.

On the regional front, Malaysia will be hosting the Asia-Pacific Economic Cooperation (APEC) in 2020. The country will welcome over 16,000 delegates from 21 economies, representing 60% of the global GDP valued at USD48 trillion and 47% of the international trade worth USD22 trillion. The hosting of APEC coincides with the Visit Malaysia 2020 campaign where the Government is targeting to welcome 30 million tourists during the year.

This presents us with an opportunity to introduce a reinvigorated Malaysia to the world and showcase the transformation of Malaysia from a global kleptocracy to a functioning democracy ready to assume the mantle of one of Asia's economic tigers.

Sayangi Malaysiaku!

A handwritten signature in black ink, appearing to read 'Guan Eng', with a horizontal line drawn underneath it.

LIM GUAN ENG

11 October 2019