



社会经济研究中心
SOCIO-ECONOMIC
RESEARCH CENTRE

QUARTERLY ECONOMY TRACKER
(OCT-DEC 2020 & 2021 OUTLOOK)

2021: What's on the Horizon?

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Executive Director
4 February 2021

Outline



Global economy is healing; Don't let complacency set in



Malaysia: Cautious optimism



2021: The Redefining Year for Malaysia

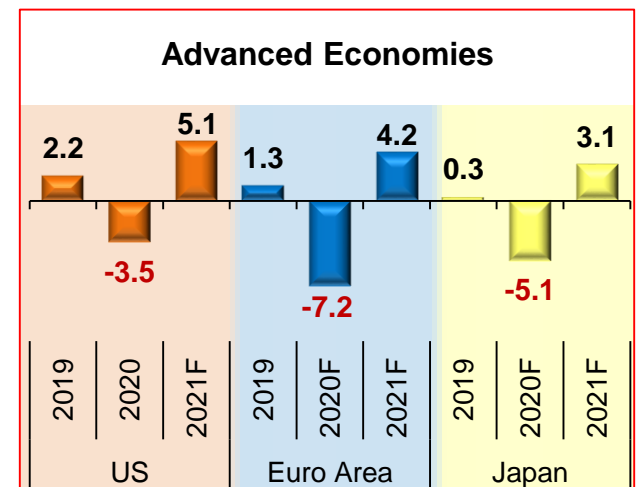
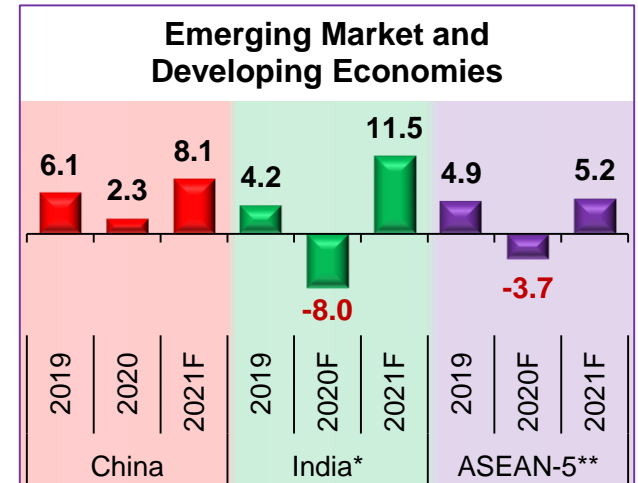
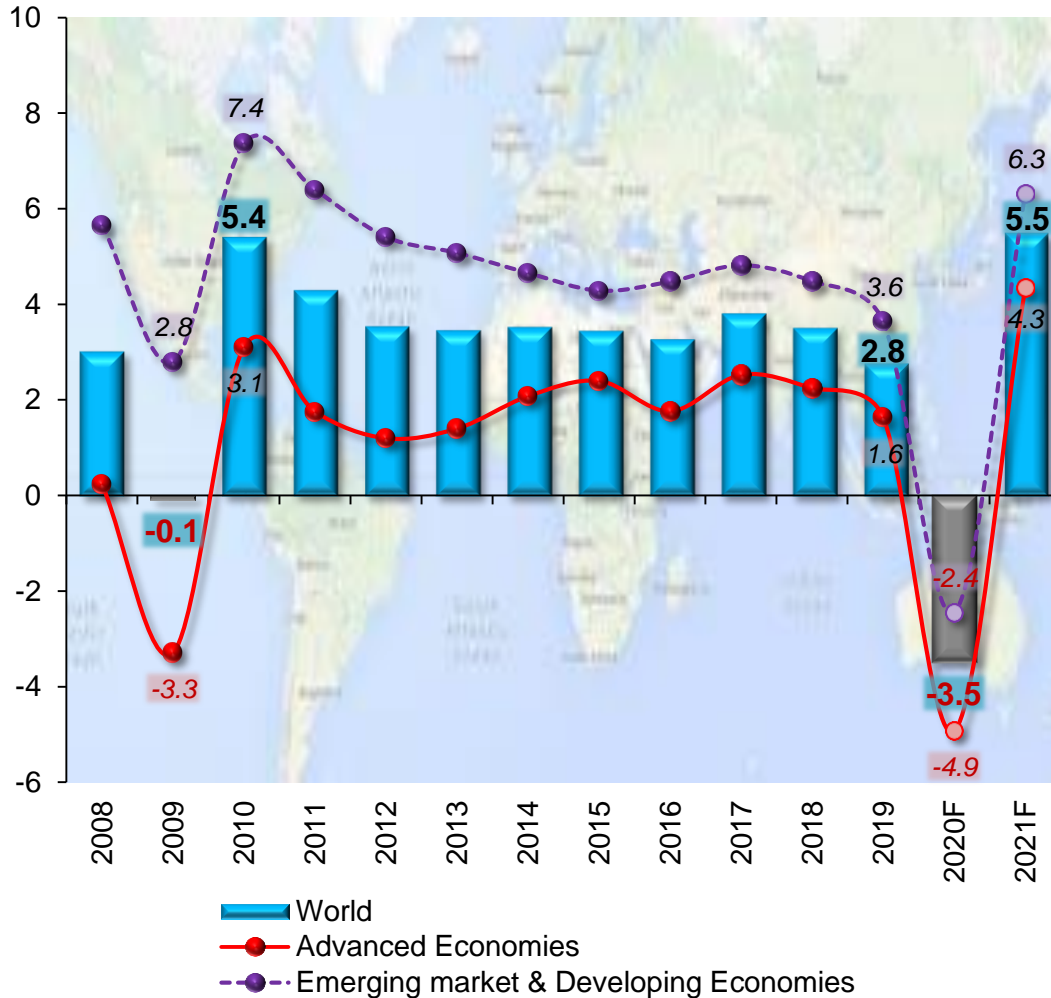
Global economy

- Recovery still underway, albeit unevenly and divergent
- Vaccines distribution and accelerated mass vaccination programs are key to stronger recovery path ahead



Setting the stage for strong post COVID-19 recovery growth in 2021

Real GDP Growth (%)



Source: Officials; IMF (WEO Update, January 2021)

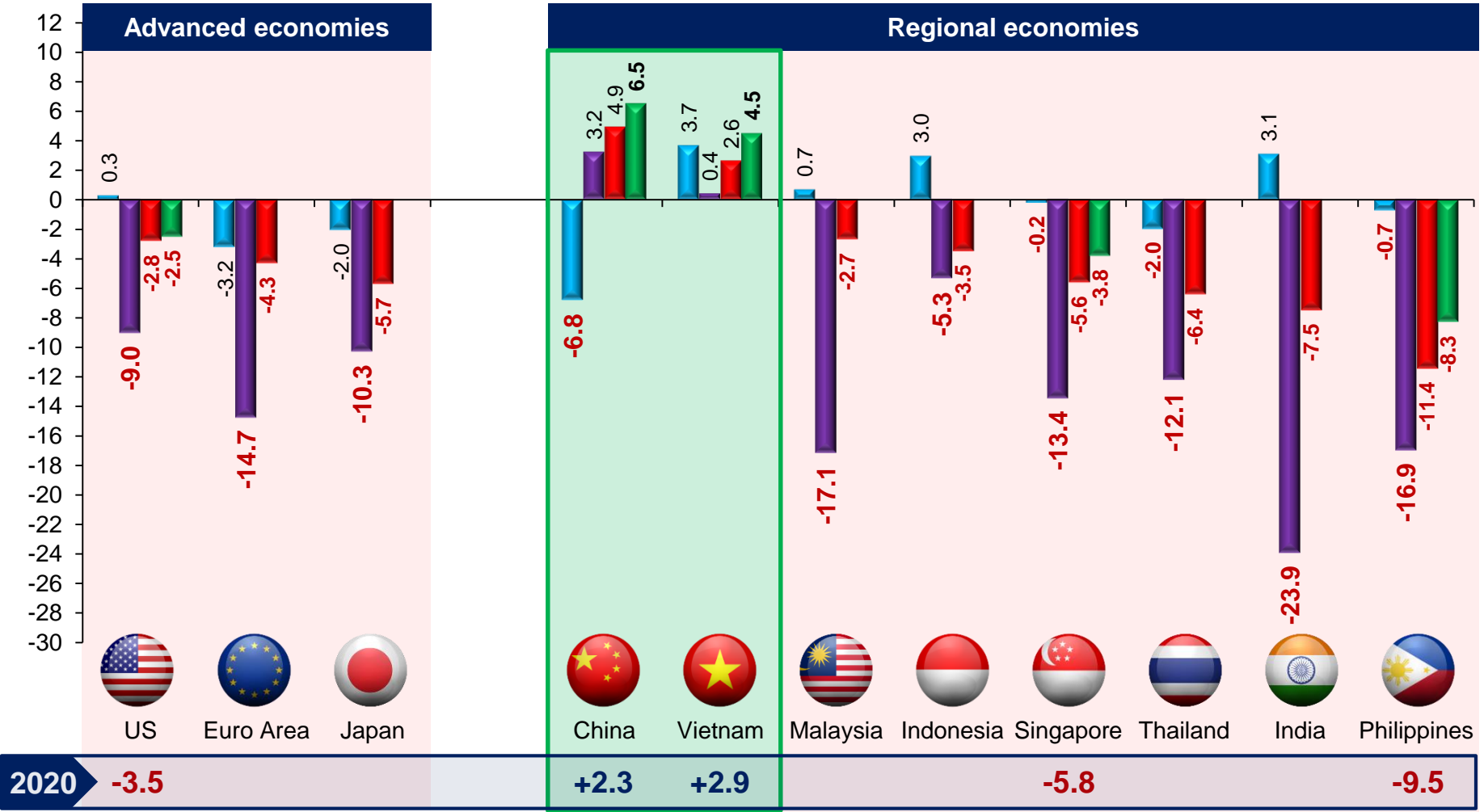
* Annual GDP for India is on fiscal year basis

** ASEAN-5: Malaysia, Indonesia, Philippines, Thailand, Vietnam

Growth in developed and emerging markets has rebounded from the worst contraction in 2Q 2020

Real GDP growth (% YoY)

■ 2020 Q1 ■ 2020 Q2 ■ 2020 Q3 ■ 2020 Q4

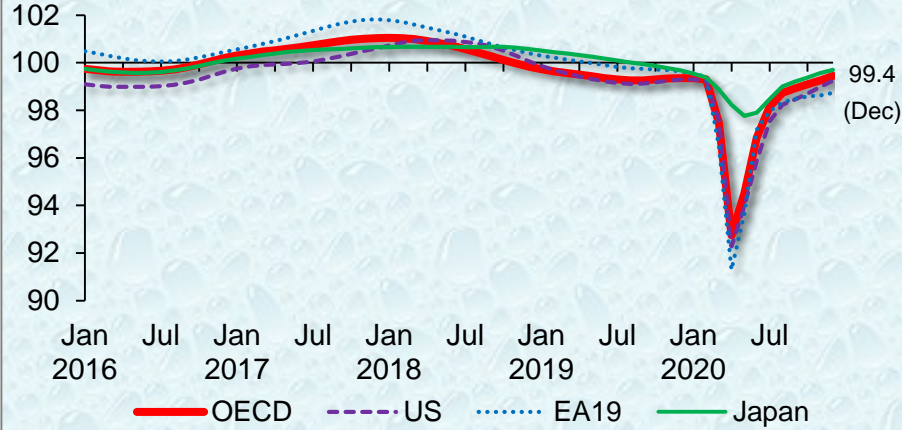


Source: Officials (unadjusted data except Euro Area)

Activity has gradually returned to pre-pandemic levels

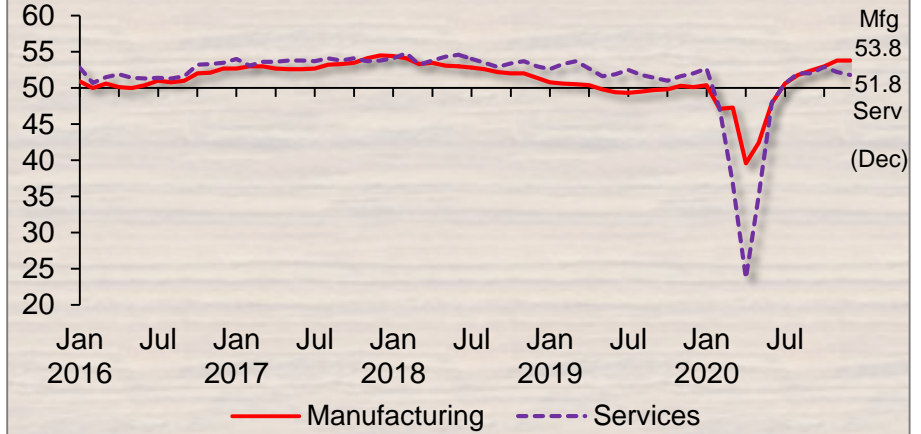
Composite Leading Index (CLI)

A gauge of forward economic outlook (Long-term average = 100)



Global PMI for manufacturing and services

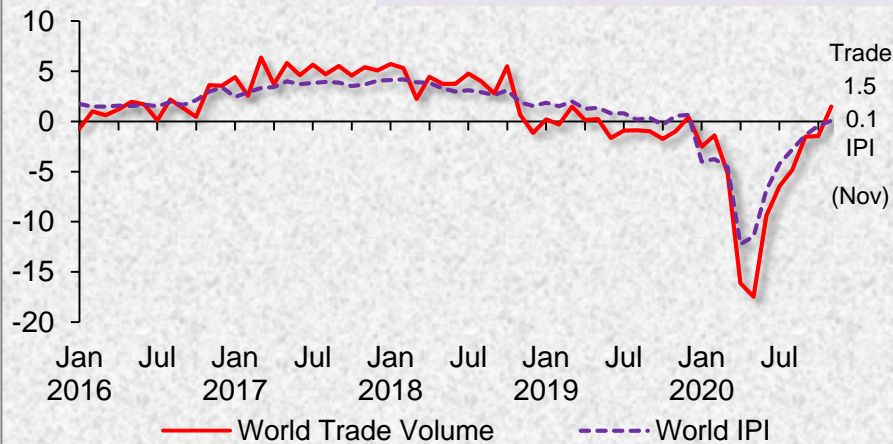
50 = no change on prior month



World trade and IPI

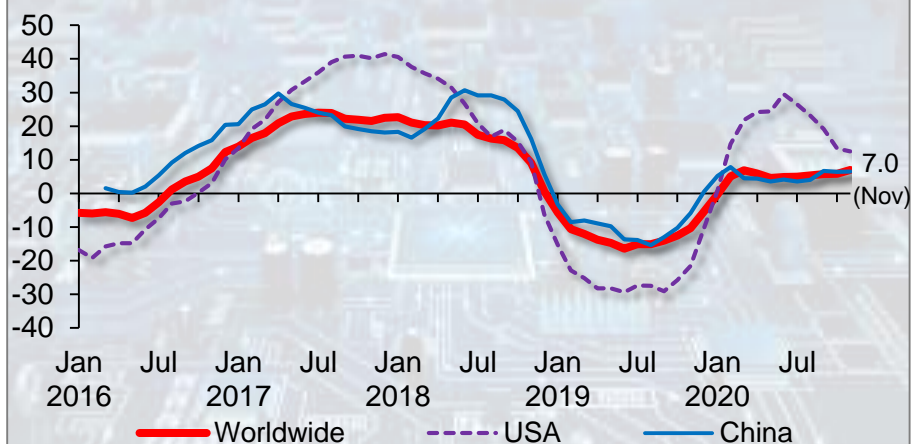
%, YoY

WTO expects world trade to rebound by 7.2% in 2021






Global semiconductor sales

%, 3-month moving average YoY



Source: OECD; IHS Markit; SIA

Global growth scenarios for 2021*

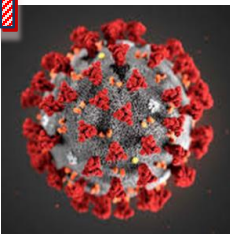
Scenario		Projected global GDP growth in 2021
<p>Upside</p> 	<ul style="list-style-type: none"> • Self-sustaining strong recovery • New infections are being suppressed; mass vaccination is accelerated to achieve herd immunity • Continued assertive monetary and fiscal stimulus 	<p>5.0%</p>
<p>Base Case</p> 	<ul style="list-style-type: none"> • Global stabilisation, uneven and moderate recovery • A prolonged COVID-19 outbreak worsened by new mutated virus strains, slow pace of vaccination due to logistics complexity and public hesitancy towards vaccination • Monetary and fiscal stimulus are working 	<p>4.5%</p>
<p>Downside</p> 	<ul style="list-style-type: none"> • Slow recovery pace • Multiple waves of new virus strains mutation compel renewed national lockdowns • A much slower than expected in the distribution and vaccination process due to technical challenges and greater public vaccine hesitancy • Ineffective monetary and fiscal policy stimulus • Sharp correction in global equities and commodities market 	<p>2.0%</p>

* SERC's estimates

Four key risks to watch

Risks might delay the global recovery ...

1



- Multiple waves of new virus strains mutation
- Renewed national lockdowns in many countries
- Effective vaccination program

2



- Trade and technology war between the United States and China
- Too early to assess the new Biden's administration in recalibrating the US-China relationship

3



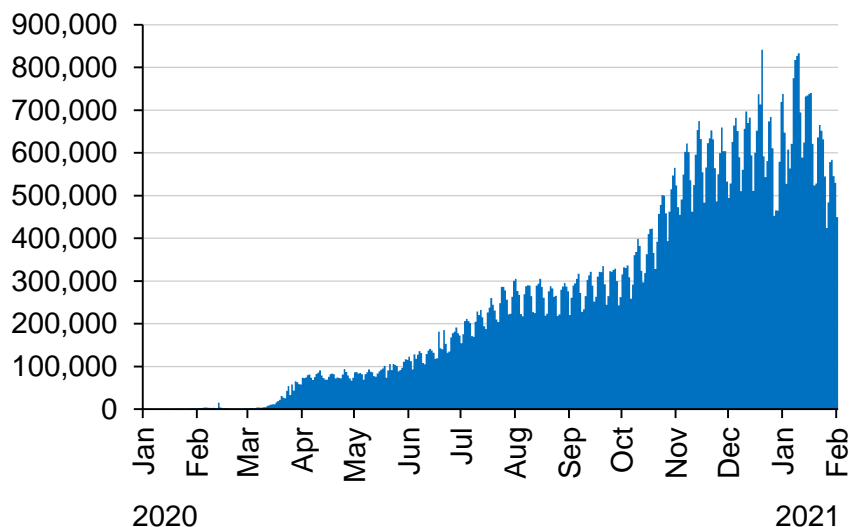
- Inadequate policy support due to the limitation of monetary policy and fiscal space

4



- Geopolitical and political flashpoints

Global Daily new COVID-19 cases



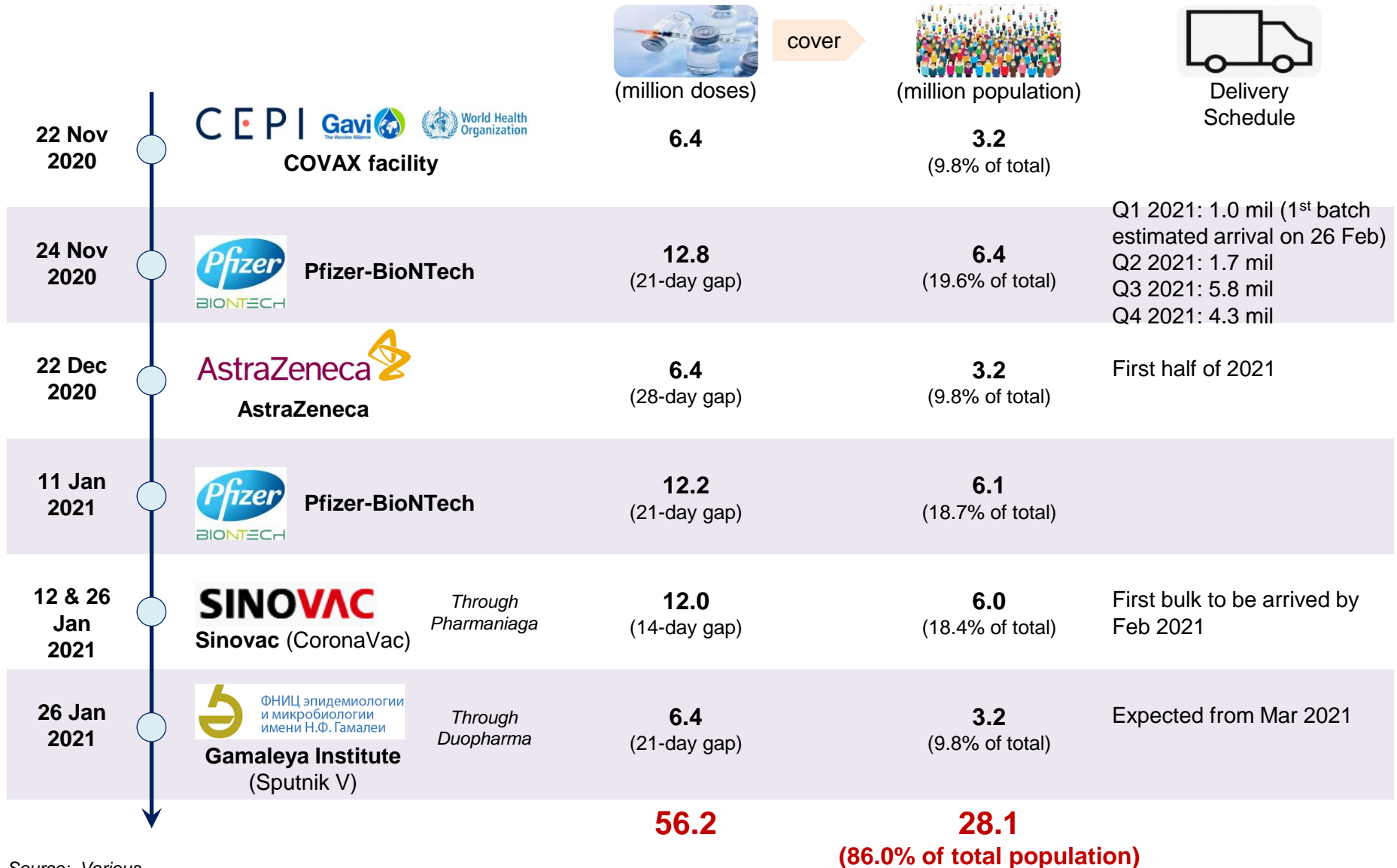
Source: WHO

The Malaysian economy

- Cautious optimism – 2021, The Redefining Year
- Successful rollout of the vaccination program



The vaccines arrangement could cover more than 80% of Malaysia's population



Source: Various

The National COVID-19 Immunisation Execution Plan

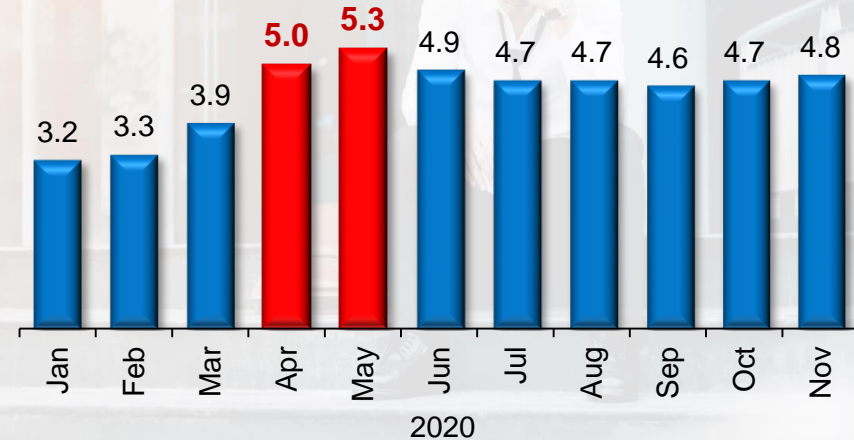
	Phase 1 (Mar-May 2021)	Phase 2 (Jun-Aug 2021)	Phase 3 (Aug 2021 – Aug 2022)
1. Targeted Group	<ul style="list-style-type: none"> • Front liners • Epidemic control 	<ul style="list-style-type: none"> • High risk group • Epidemic control 	<ul style="list-style-type: none"> • Population aged 18 and above • Epidemic control
2. Enrolment	Hybrid model	Hybrid model + MySejahtera	MySejahtera
3. Location of Vaccination	MOH facilities, MinDef, university hospitals, selected private hospitals (outreach)	MOH and private facilities, Institute “Warga Emas”, public places	MOH and private facilities, work place, public and private higher learning institution, public places
4. Category of Vaccination Recipients	MOH officers, military forces, university hospitals, private healthcare officers (A)	(A) + Private medical practitioners, NGO (B)	(A) + (B) + dental medical officer, nurse trainer, assistant medical officer, medical and dental students
5. Number of Vaccination Facilities	250 (MOH) +	400 (MOH) ++	600 (MOH) +++
6. Targeted Population	0.5 mil x 2 doses	6.5 mil x 2 doses	16 mil x 2 doses
7. Volume of Vaccination	4 persons x 15 per hour x 6 hours x 5 days (1,800 every 5 days)	4 persons x 15 per hour x 6 hours x 5 days (1,800 every 5 days)	4 persons x 15 per hour x 6 hours x 5 days (1,800 every 5 days)
8. Vaccination Period	21 days – 0.5 mil first dose 21 days – 0.5 mil second dose	36 days – 6.5 mil first dose 36 days – 6.5 mil second dose	100 days – 16 mil first dose 100 days – 16 mil second dose
9. Constraints	Limited vaccines, 1 million doses in first quarter	Calculation based on Pfizer’s vaccine	Assumption: Other types of vaccines in the market

Status as of 13 Jan
Source: MOH

Labour market is expected to rebound amid weak

Job market

Unemployment Rate
%



Loss of Employment (LOE)
(‘000)



* As of 25 Jan 2021

- **Unemployment rate ticked up** to 4.8% in November (4.7% in Oct) after easing off to 4.6% in September from a record high of 5.3% in May. **Unemployed persons remained elevated** at around 764,400 persons compared to around 520,000 persons before the pandemic.
- **EIS’s loss of employment[#]** registered a total of **107,024 in 2020**, 267.0% higher than 40,084 in 2019.
- **Jobless rate is estimated at 4.5% at end-Dec 2021** vs. estimated 4.8% at end-Dec in 2020: (i) A long drag of recovery in the travel-related sectors; (ii) Remote working arrangement reduces demand for transportation services; (iii) The tapering effect of government’s intervention; and (iv) The COVID-19 could exacerbate skills mismatches, due to the adoption of manpower-saving processes and technologies.

Source: DOSM; PERKESO

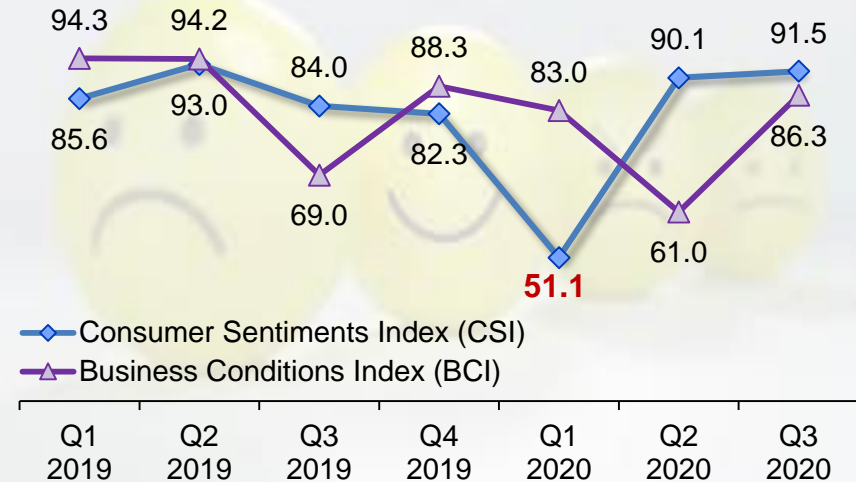
[#] Unemployment claims under Employment Insurance System (EIS)

Sentiment remains below the optimism threshold level

Sentiment indicators

MIER CSI & BCI

Optimism Threshold = 100



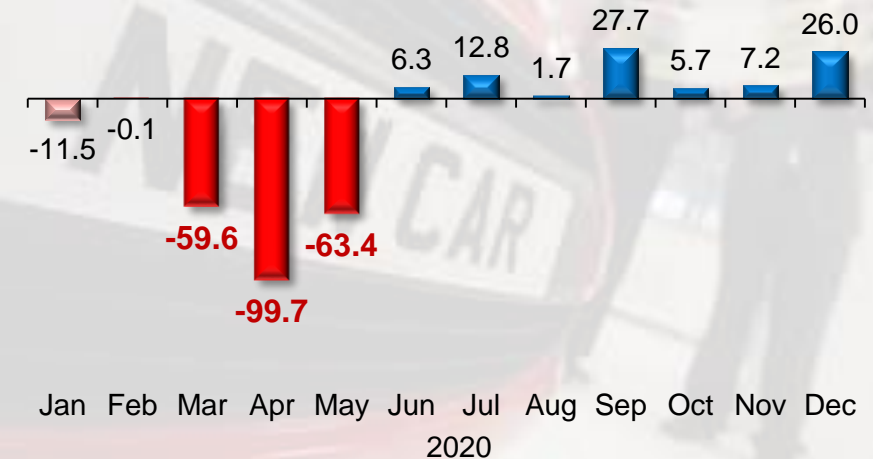
- **Both consumer sentiment and business confidence have improved** but still way below the optimism threshold level.
- A sustained turnaround hinges on the **accelerated containment in the virus spread and vaccination; improved domestic economic outlook; clear policy narrative and easing investors' concerns about domestic political situation.**

Source: MIER; BNM

Buying a car

Passenger Car Sales (Volume)

%, YoY



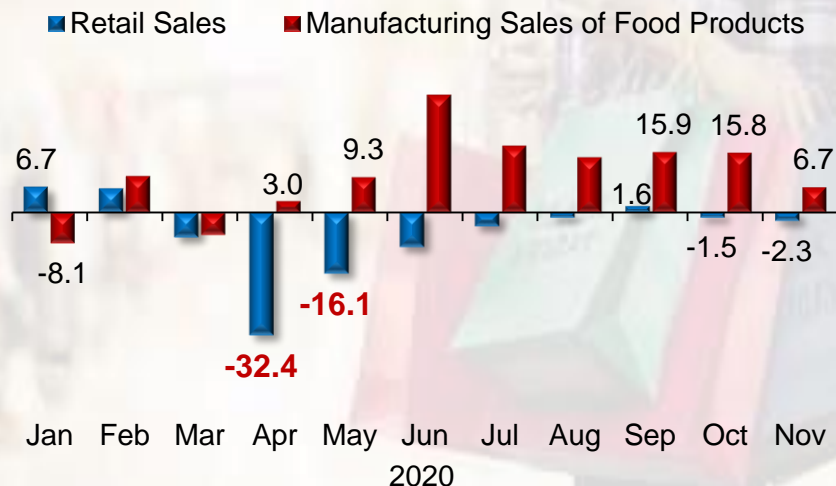
- **Sales tax exemption** on passenger cars (100% for locally assembled (CKD) and 50% for imported (CBU)) has been extended till June 2021.
- Coupled with **lower interest rate and launching of new models**, demand for passenger cars will be sustained.
- MAA's estimates of passenger car sales: 513,000 units in 2021, an increase of 6.7% from 480,965 units in 2020.

Retail spending on cautious mode

Shopping at retailers

Sales Performance

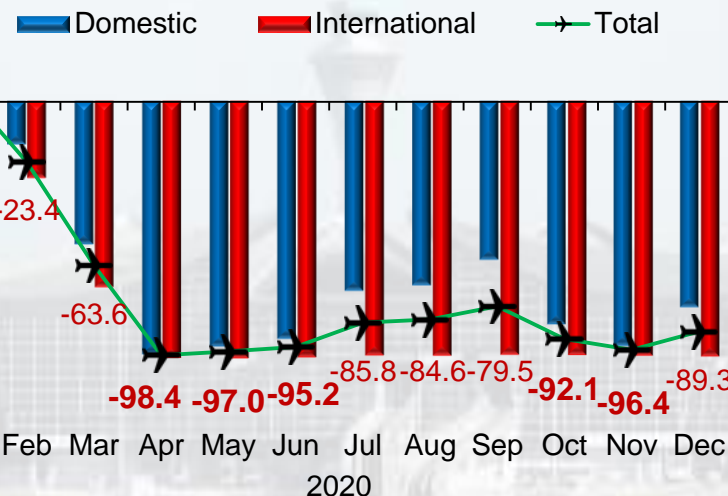
%, YoY



Daily flying passengers

Growth

%, YoY



- **Retailers' sales reverted to contraction** in Oct-Nov 2020 given the re-imposition of CMCO.
- Sales have declined in all types of specialised stores, except specialised store for food, beverages and tobacco.
- MCO 2.0 would dent retail spending, especially in the shopping malls and restaurants as well as small business traders in the run up to the Chinese New Year celebration.

Source: DOSM; MAHB

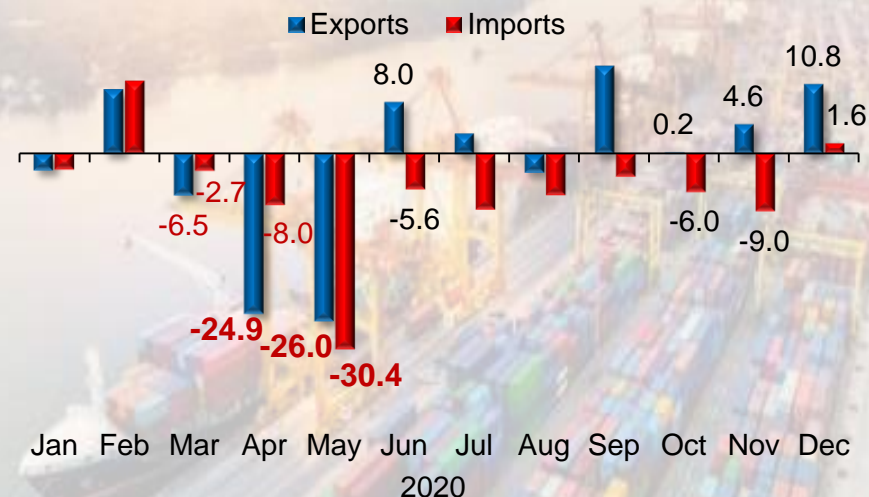
- The third wave of COVID-19 has delayed the recovery of **aviation and travel industry**.
- Domestic airline passenger traffic numbers have slumped again in Oct-Nov given inter-state travelling ban in several key states.
- MCO 2.0 and inter-state travel ban nationwide starting January 2021 would depress inbound tourism and travel sector.

External sector recovering; sluggish industrial production

External trade

External Trade

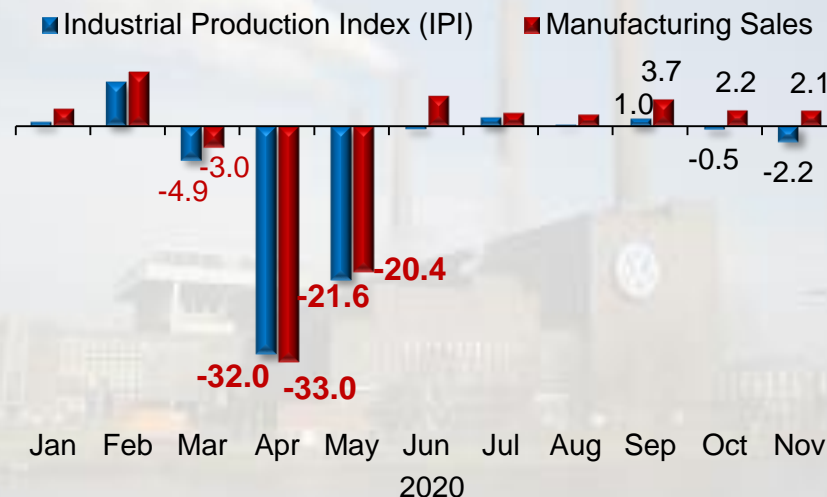
%, YoY



Production & manufacturing sales

Industrial Production and Manufacturing Sales

%, YoY



- **Exports** continued to increase unevenly, marking the fourth consecutive month of growth in Dec, boosted by increased shipments to our major trading partners.
- Imports have turned positive in Dec for the first time since Mar 2020.
- **Exports are expected to grow by 3.3% in 2021** (2020: -1.4%) in tandem with a global recovery and firmer commodity prices.

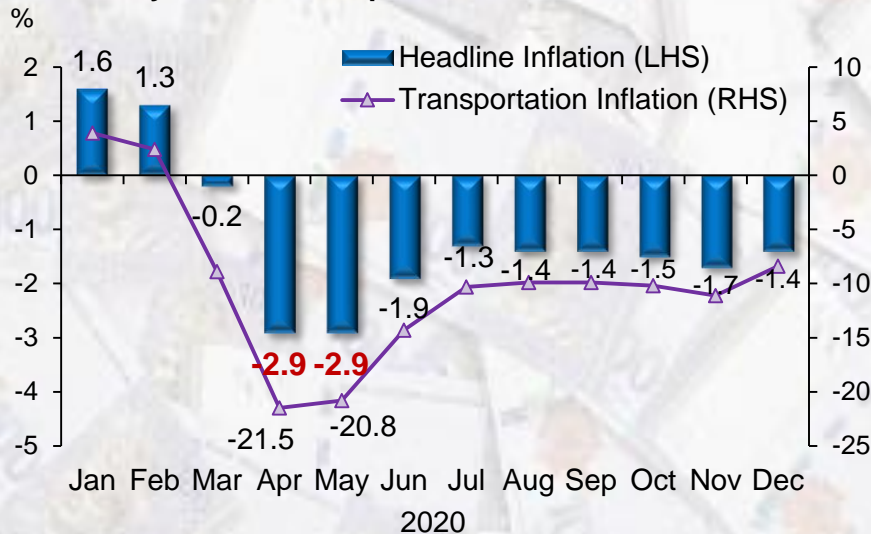
Source: DOSM

- **Industrial output** has declined in Oct and Nov, dragged by a double-digit contraction of mining output and softer manufacturing activities.
- The heavy-weighted E&E segment has outperformed since June (ranging 7.1%-13.2% in Jun-Nov), outpaced an average growth of 6.0% in 2016-2019.

Deflationary pressures will fade in 2021

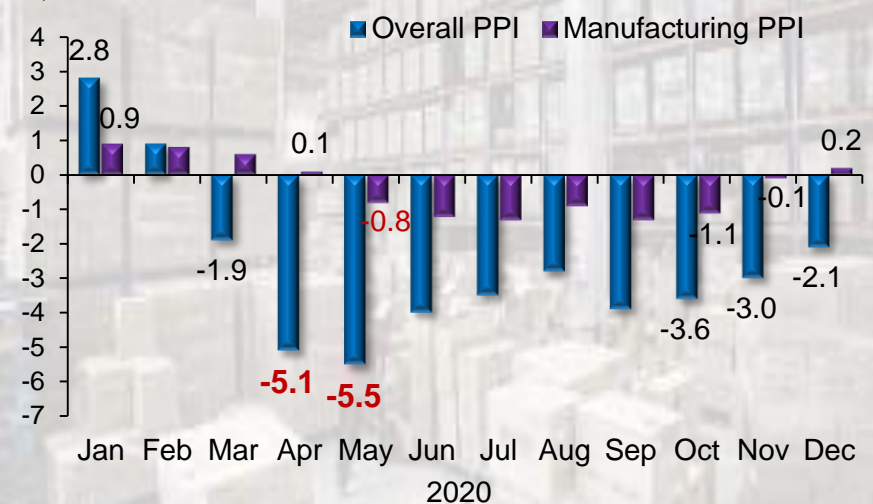
Consumer Price Index (CPI)

Inflation by Selected Components



Producer Price Index (PPI)

Growth % YoY



- Ten consecutive months of **deflation** since Mar 2020 with **32.7% of goods in the CPI basket** (by sub-groups) **saw decreases in prices** in Jan-Dec 2020. CPI declined by 1.2% in 2020.
- **CPI is expected to normalise into positive territory (between +1.0% and +1.5%) in 2021** in tandem with the improved domestic demand, higher crude oil prices and as well as aided by low base effect.

Source: DOSM

- **Producer Price Index (PPI)**, a measurement of average selling prices received by domestic producers declined by a smaller magnitude.
- **Manufacturing PPI saw a moderate increase in prices** in December 2020 while mining output prices declined by a larger magnitude. Prices for agriculture, forestry & fishing registered continuous double-digit increase since June 2019.

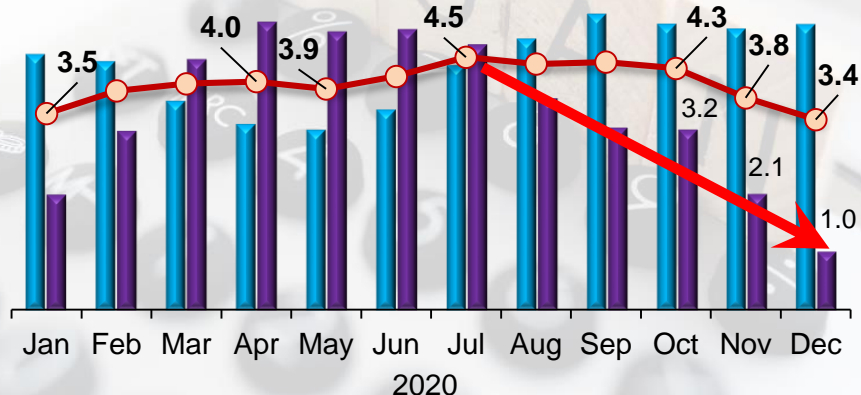
Business loan growth eased sharply

Loan financing

Loan Outstanding by Sector

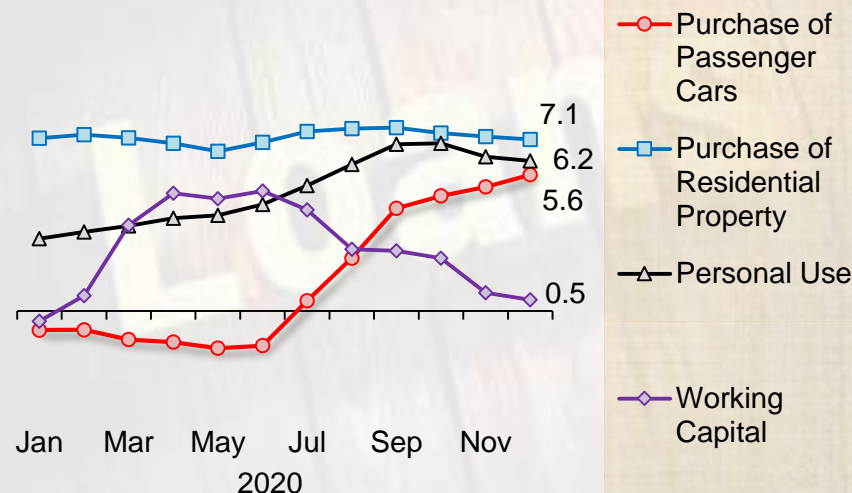
%, YoY

Household Sector Business and Other Sectors Total



Loan Outstanding by Purpose

%, YoY



- **Overall loan growth** has eased. While **households' loan demand** remained stable, business loan growth slowed down significantly (0.5% in Dec* vs. 1.2% in Nov and 2.5% in Oct).
- Loan repayment started to pick up since October after the expiry of automatic loan moratorium in September, which was replaced by a targeted loan repayment assistance.

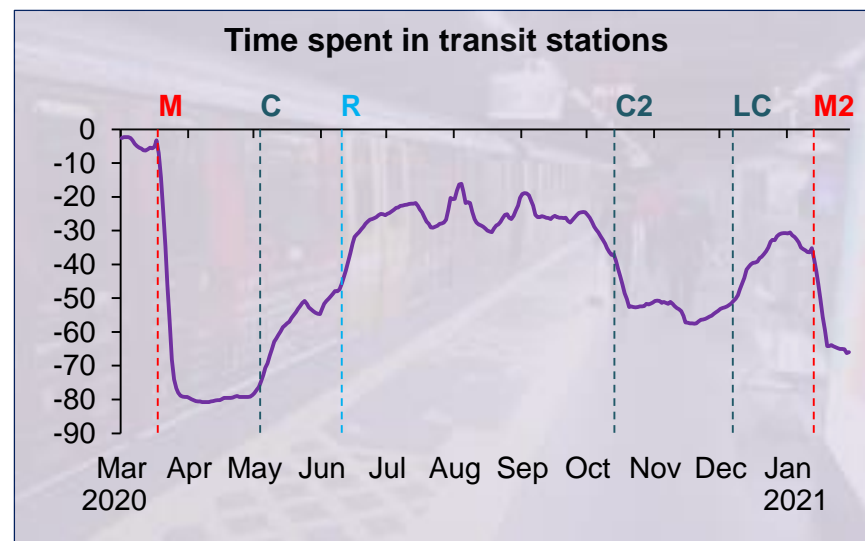
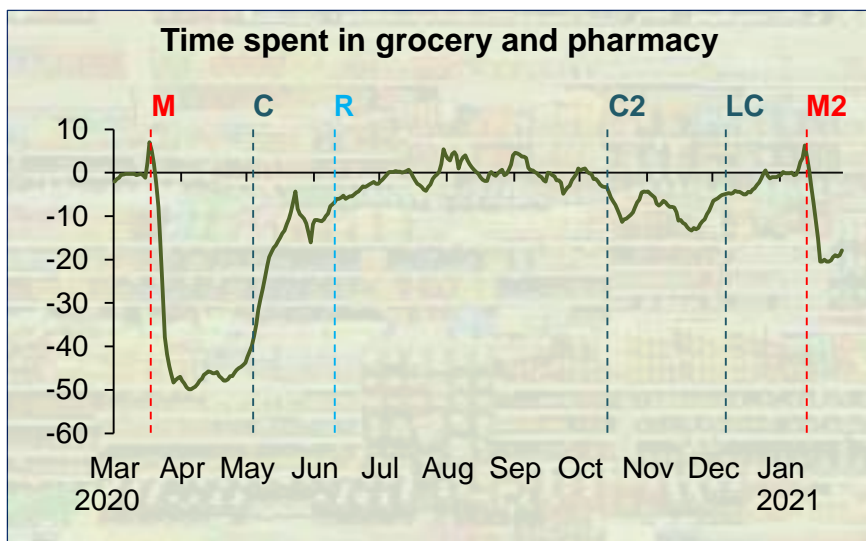
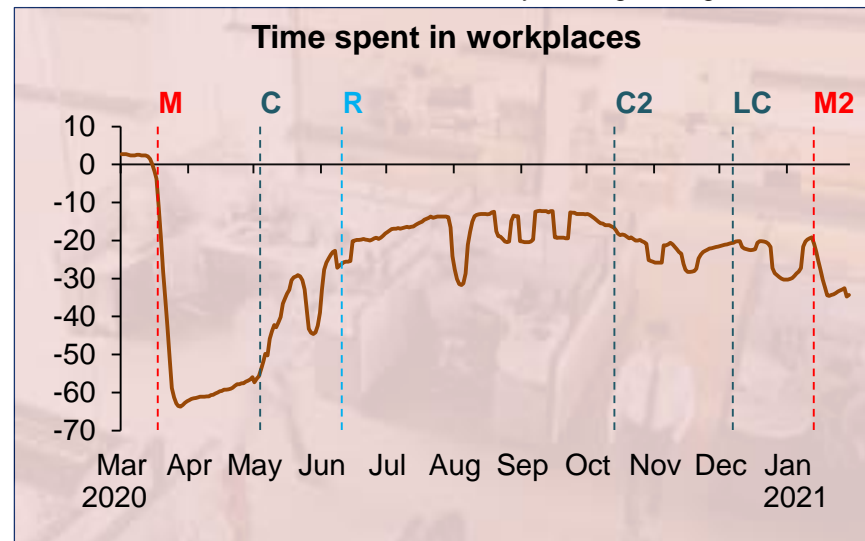
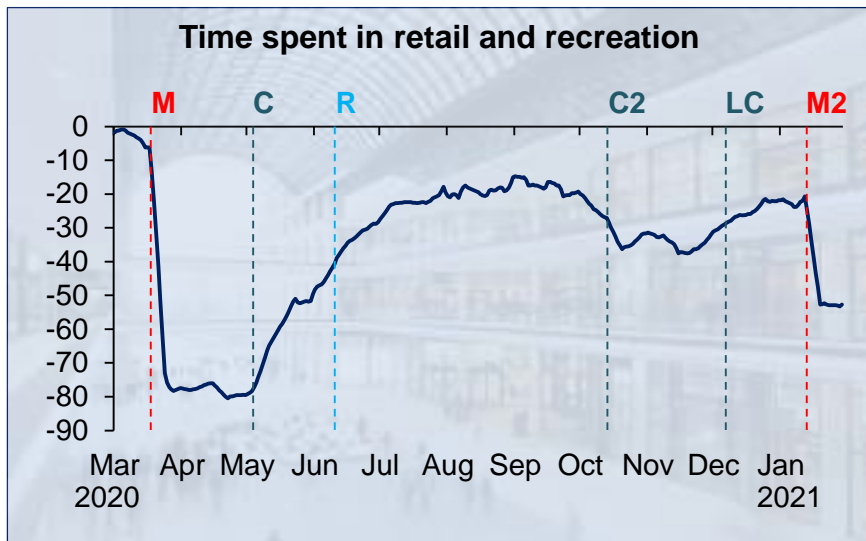
- **Loan demand going strong for the purchase of passenger cars**; slightly moderated for residential property and personal use.
- **Outstanding loan for working capital eased sharply** on slower growth in real estate industry, and contraction in the manufacturing sector as well as financing, insurance and business services industry.

* High base effect: Excluding the large loan disbursement in manufacturing sector in December 2019, overall business loan growth would have increased by 1.3%

Source: BNM

Malaysia's mobility tracker

%, 7-day moving average vs. baseline

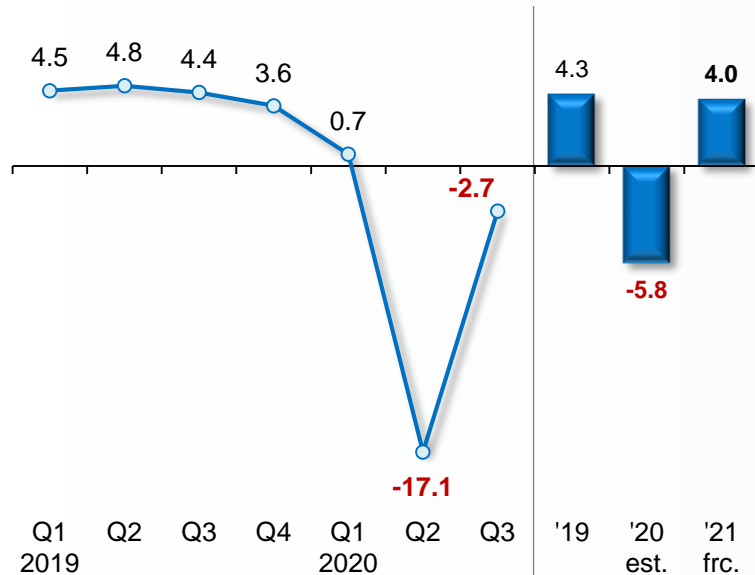


M=MCO; C=CMCO; R=RMCO; C2=CMCO by phases; LC=Loosened CMCO with interstate travelling allowed; M2=MCO 2.0

Source: Google Mobility (baseline = median value for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020)

Malaysia is on the recovery track, albeit “speed bump”

GDP growth
%, YoY



- The economy is gradually on the mend in 2H 2020. The recovery pace in 4Q has been tempered by the resurgence in COVID-19 cases since late September 2020.

- **Emerging cautious optimism in 2021. Base case: 4.0% GDP growth.** The shape of Malaysia’s economic growth in 2021 depends on:



Development of infection rates and vaccination



Effective implementation of Budget 2021’s spending programs and cash assistance



Consumer and business confidence



Economic performance of Malaysia’s major trading partners

- **For an upside scenario, 6.0% GDP growth for 2021 on:**



Accelerated containment of virus spread and vaccination



Pent-up consumer demand unleashed

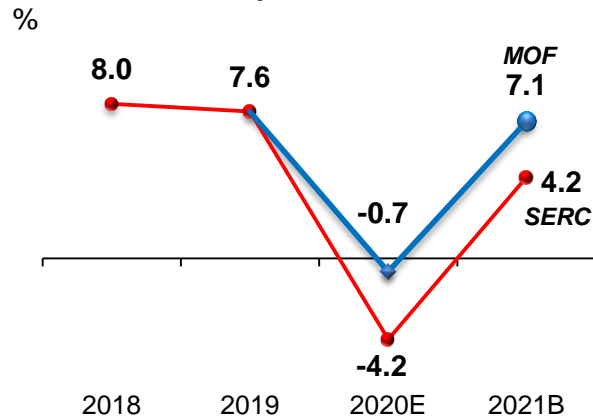


A robust rebound in services with the resumption of international travel

Source: DOSM; SERC’s estimates

Economic prospects by type of expenditure

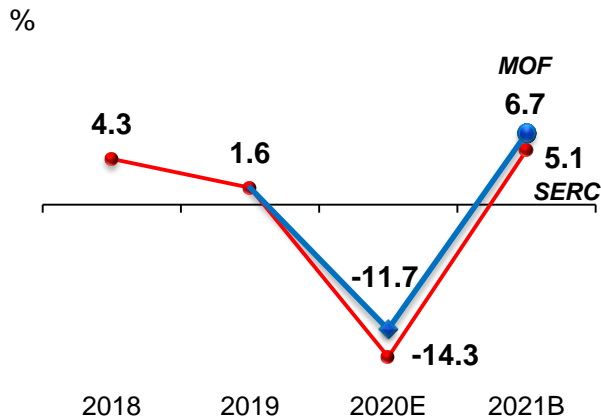
Private Consumption Growth



Private Consumption

- Continued cash transfers, loan moratorium, EPF's monthly withdrawal, etc. are expected to cushion consumer spending.
- **In 2021, a rebound in private consumption (+4.2%),** supported by higher disposable income, improved export earnings, low interest rate and the extension of financial relief. The vaccination program will lift sentiments.
- **Risks: Prolonged worsening virus infection condition, slow and uneven job recovery, households rebuild savings.**

Private Investment Growth



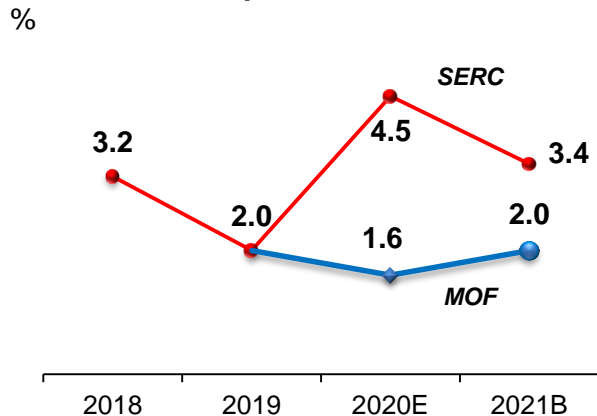
Private Investment

- After slumping by 14.3% in 2020 (Jan-Sep 2020: -13.2%), **private investment is expected to turn around by 5.1% in 2021,** lifted by various investment supportive and tax incentives to facilitate business operations and revive private investment activities. The spill-over effects from the Budget's capital investment also helps to support investment.
- **SERC cautions about the timely implementation of public projects; quick disbursement of funds as well as ensuring stable political environment to boost investors' confidence.**

Source: DOSM; MOF; SERC's estimates

Economic prospects by type of expenditure (cont.)

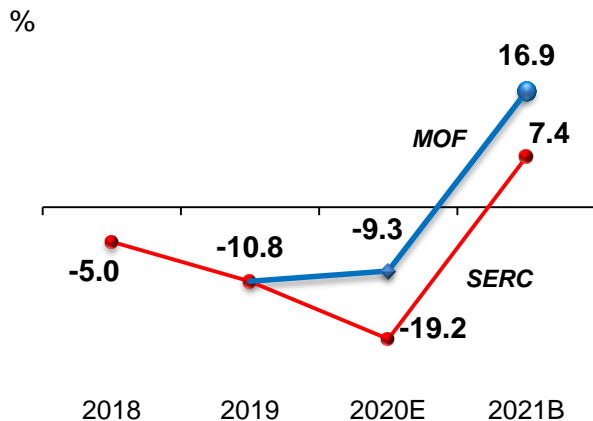
Public Consumption Growth



Public Consumption

- Public consumption is expected to **expand by 3.4% in 2021**, lower than 4.5% growth in 2020.
- This reflects the continued improvement in public delivery services and optimising spending.
- **Emoluments**, the largest component of operating expenditure (35.7% share) **is estimated to increase by 2.3% to RM84.5 billion in 2021**, mainly for the provision of annual salary increments for civil servants.

Public Investment Growth



Public Investment

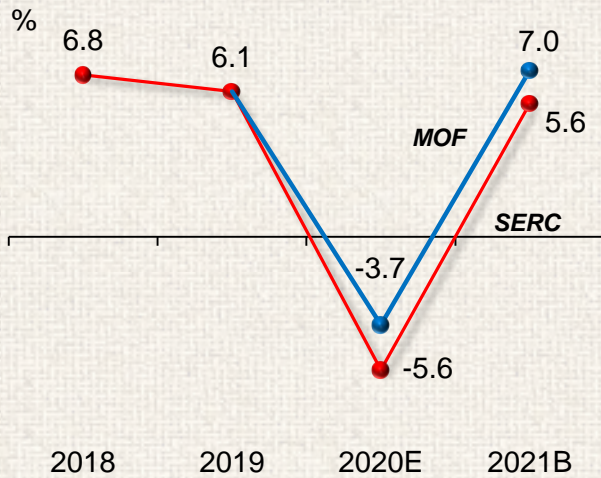
- **Public investment is projected to expand by 7.4% in 2021** (estimated -19.2% in 2020).
- Factors underpinning the robust public investment are higher development of RM69 billion in 2021; the implementation of small-scale projects, infrastructure, the National Fiberalisation and Connectivity Plan (NDCP). Major projects: Airport expansion, construction of hospitals, MRT2, LRT3, RTS, Pan Borneo Highway, Klang Valley Double Track Phase 1, and capital spending by public corporations.
- **SERC warns the risk of projects' implementation delay.**

Source: DOSM; MOF; SERC's estimates

Economic prospects by economic sector



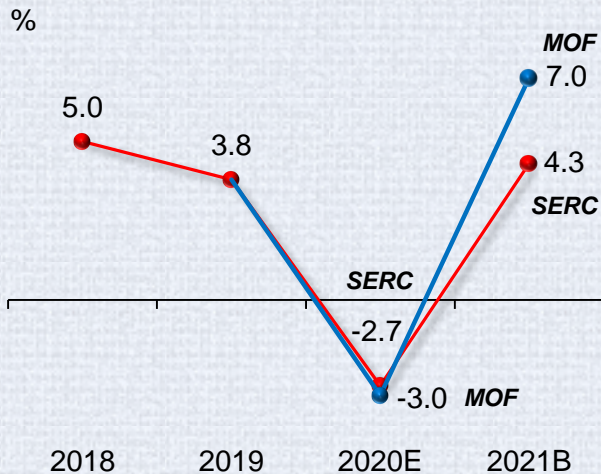
Services



- **The sector is projected to contract by 5.6% in 2020** before rebounding by 5.6% in 2021.
- Higher disposable income and e-commerce will boost demand for retail and wholesale segments (food, motor vehicles).
- Information and communication subsector will be supported by the 5G spectrum network, the expansion of digitalization and e-learning.
- The finance and insurance will improve, thanks to the normalization of loan repayment and increased loan demand.



Manufacturing



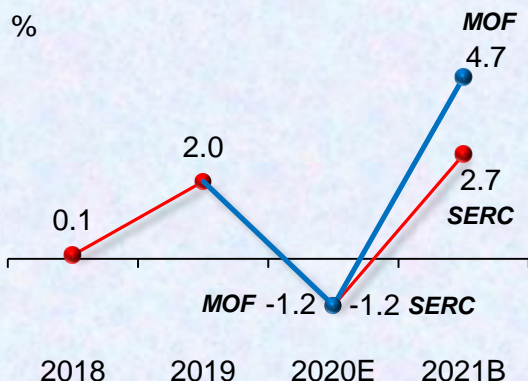
- **The sector is forecast to expand by 4.3% in 2021**, a marked turnaround from a decline of 2.7% in 2020.
- The E&E segment will accelerate with the digital transformation and virtual business communication, which spur demand for wireless technology, memory and micro chips.
- Demand of consumer-related products will benefit from improved disposable income. Major infrastructure and affordable housing projects will support construction related products.

Source: DOSM; MOF; SERC's estimates

Economic prospects by economic sector (cont.)



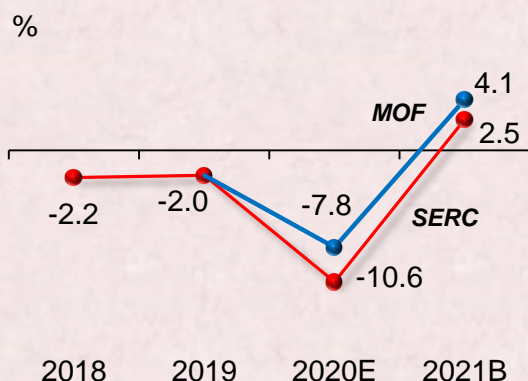
Agriculture



- **The sector is anticipated to rebound by 2.7% in 2021** (-1.2% in 2020).
- Higher production of palm oil and rubber as well as increased production of livestock and other agriculture and fishing.
- Prices estimates for CPO: RM2,550/metric tonne; rubber (SMR20): RM5.50/kg



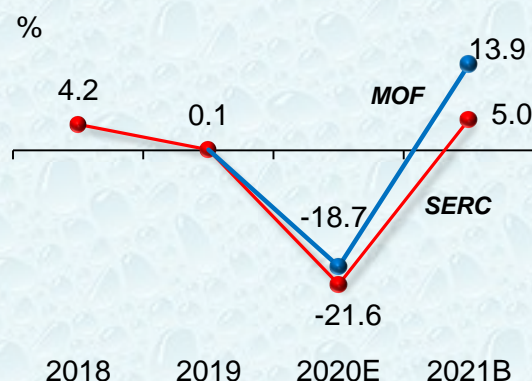
Mining and Quarrying



- The sector, which is estimated to contract by 10.6% in 2020, **is projected to turn around by 2.5% in 2021**.
- Supported by a recovery in global demand for crude oil and liquefied natural gas (LNG).
- Brent crude price is expected to average US\$45-50/bbl in 2021 (US\$42/bbl in 2020).






Construction



- After crashing by 21.6% in 2020, **the sector is set to rebound by 5.0% in 2021** on account of the acceleration and revival of major infrastructure projects and affordable housing projects.
- MRT2, LRT3, West Coast Expressway, Bayan Lepas Light Rail Transit, Pan Borneo and Coastal Highways in Sarawak. Utility projects include the Langat 2 Water Treatment Plant, Baleh Hydroelectric Dam and Sarawak Water Supply Grid Programme (Phase I).

Source: DOSM; MOF; SERC's estimates

Malaysia's economic growth scenarios for 2021*

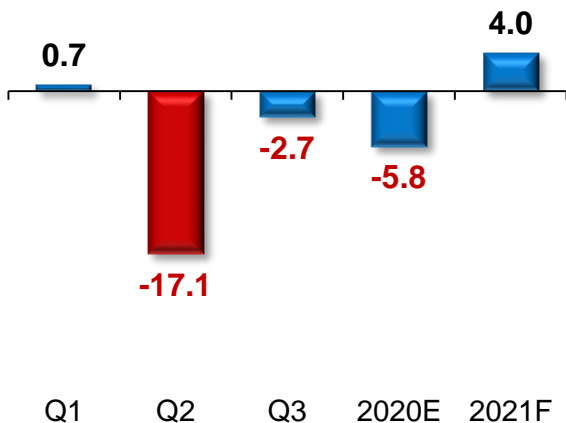
Scenario		Projected GDP growth in 2021
<p>Upside</p> 	<ul style="list-style-type: none"> • Global growth stabilisation and a sustained strong recovery • Accelerated distribution of vaccines and vaccination • Continued effective monetary and fiscal stimulus 	<p>6.0%</p>
<p>Base Case</p> 	<ul style="list-style-type: none"> • Prolonged high virus infection rates; stricter SOPs amid the starting of vaccination program • Supportive 2021 Budget's expansionary policy amid the implementation capacity risk • Monetary stimulus continued • Continued financial market volatility amid political flashpoints 	<p>4.0%</p>
<p>Downside</p> 	<ul style="list-style-type: none"> • Slow global recovery pace dampens exports • Uncontrolled infection rates compel extended tighter movement restrictions • A much slower than expected in the distribution and vaccination process • Ineffective monetary and fiscal policy stimulus 	<p>2.0%</p>

* SERC's estimates

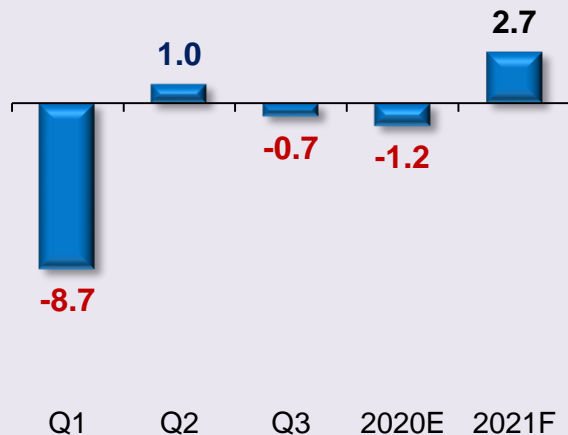
SERC's estimates and projections (2020E and 2021F)

%, YoY

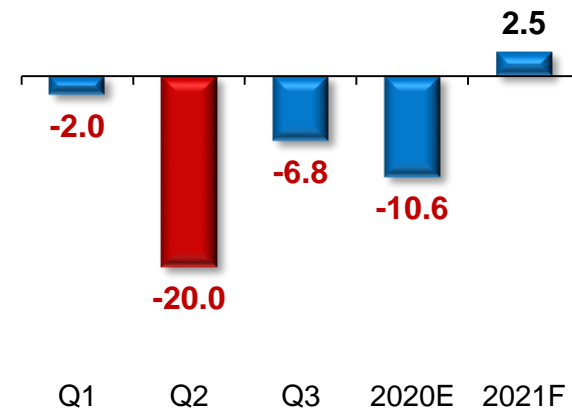
 Overall GDP



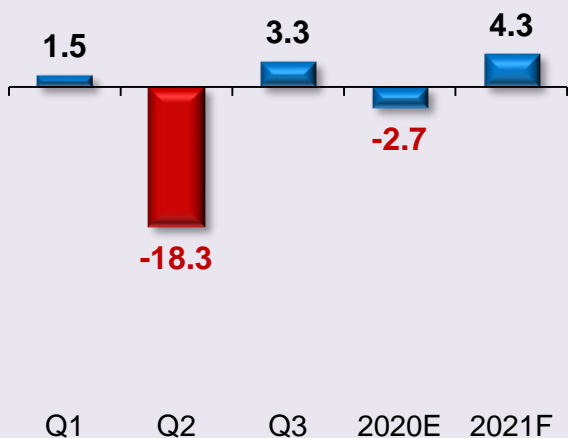
 Agriculture



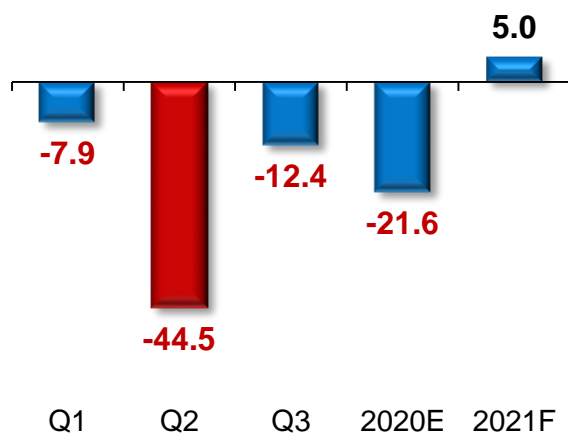
 Mining and Quarrying



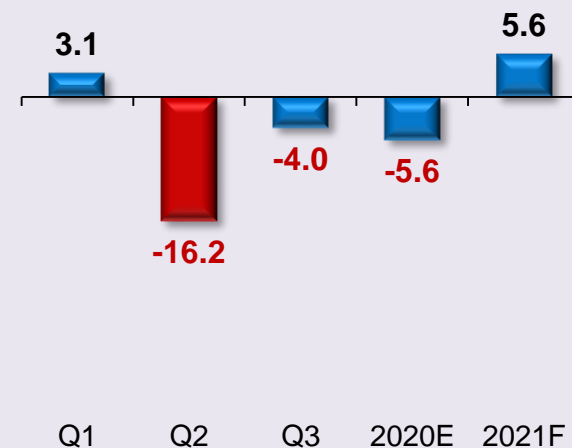
 Manufacturing



 Construction



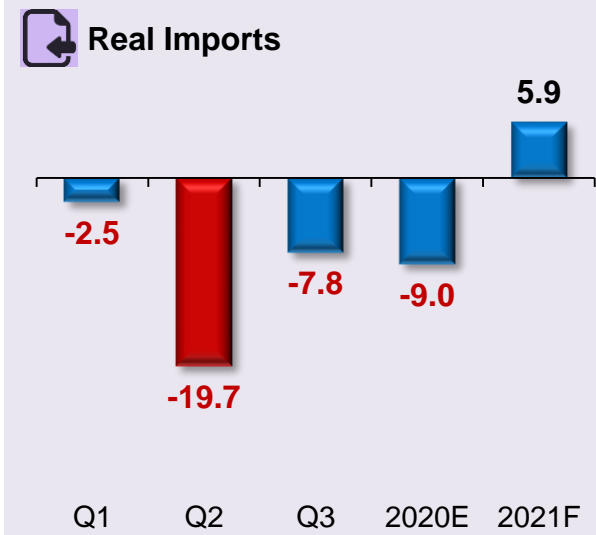
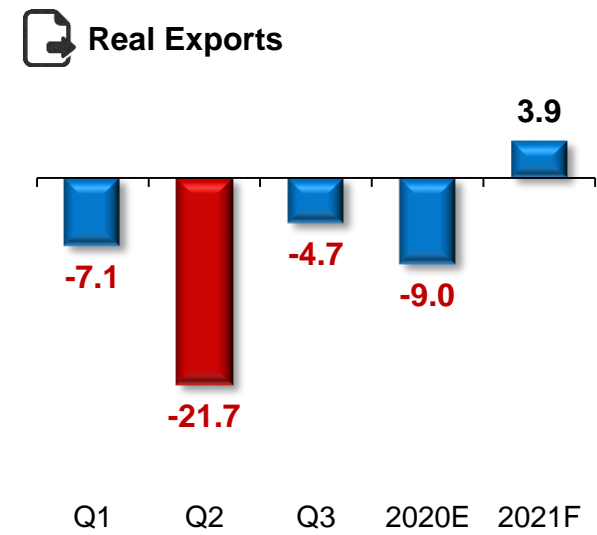
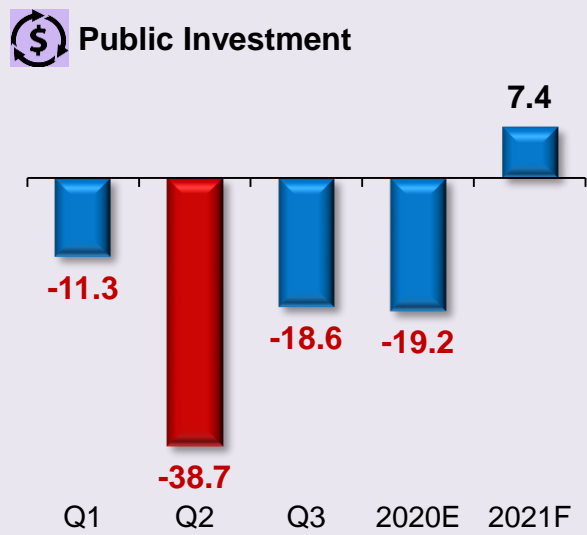
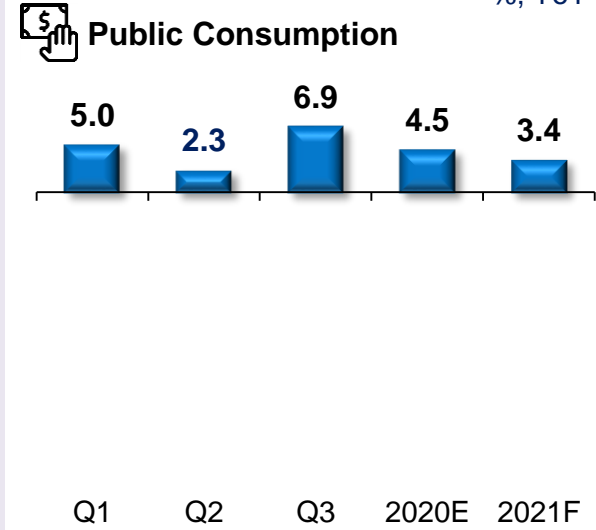
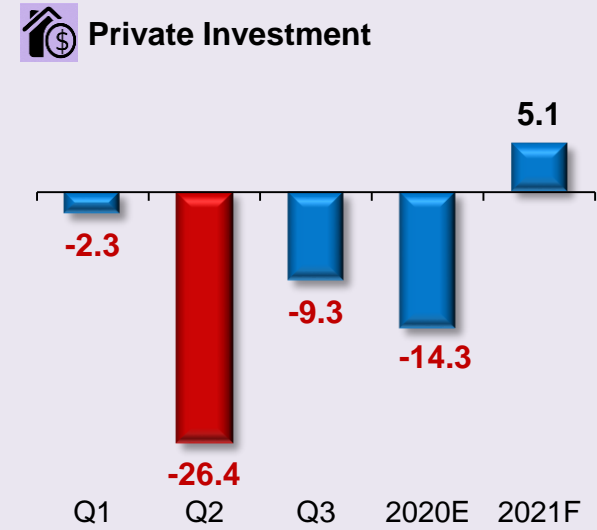
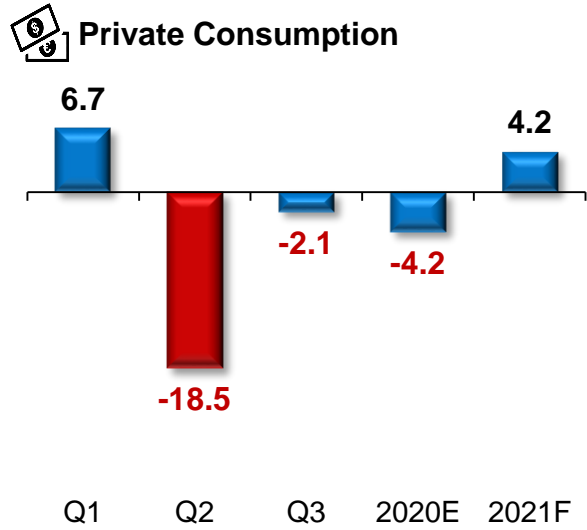
 Services



Source: DOSM; SERC

SERC's estimates and projections (2020E and 2021F) (cont.)

%, YoY



Source: DOSM; SERC

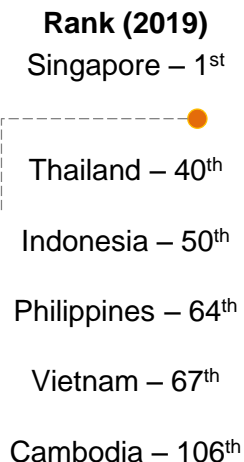
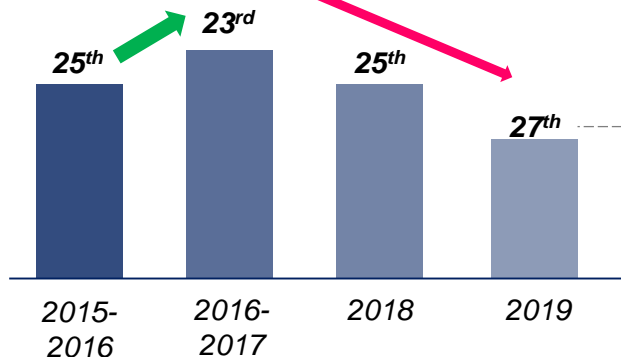
2021: The Redefining Year for Malaysia

- **BOLD AND DECISIVE** fiscal and economic reforms to strengthen our economic resilience and business prospects for the future
- Chart a roadmap for restoring public trust in government by making immediate and tangible improvements to the institutional and political system



Where is Malaysia now?

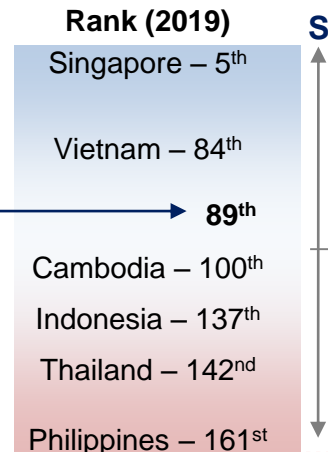
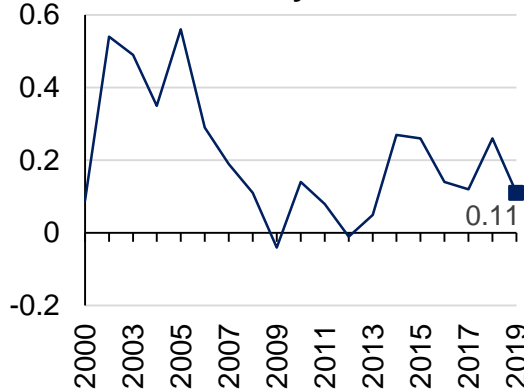
Global Competitiveness Index



Source: World Economic Forum (WEF)

Political Stability Index

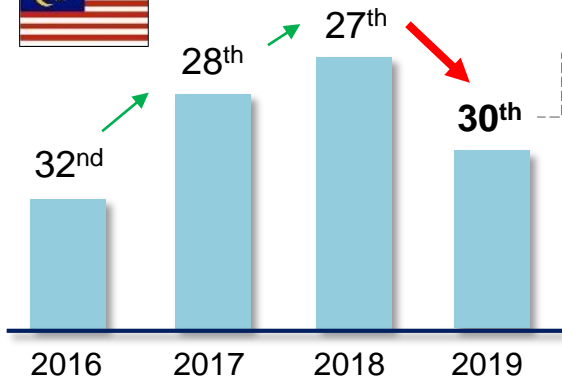
Score Malaysia



Note: -2.5 weak (W), 2.5 strong (S); Source: WB

Global Opportunity Index Weighted Rank

Rank=1 means most favourable investment environment

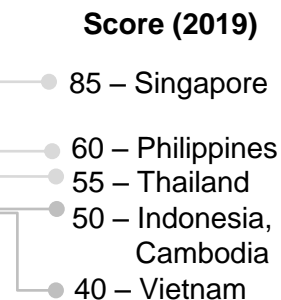
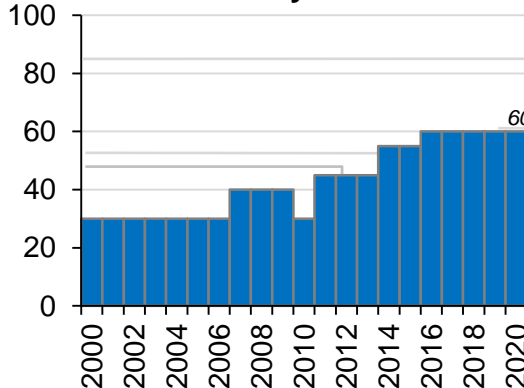


Source: Knoema

Investment Freedom Index

100 score means no constraints on the flow of investment capital

Score Malaysia

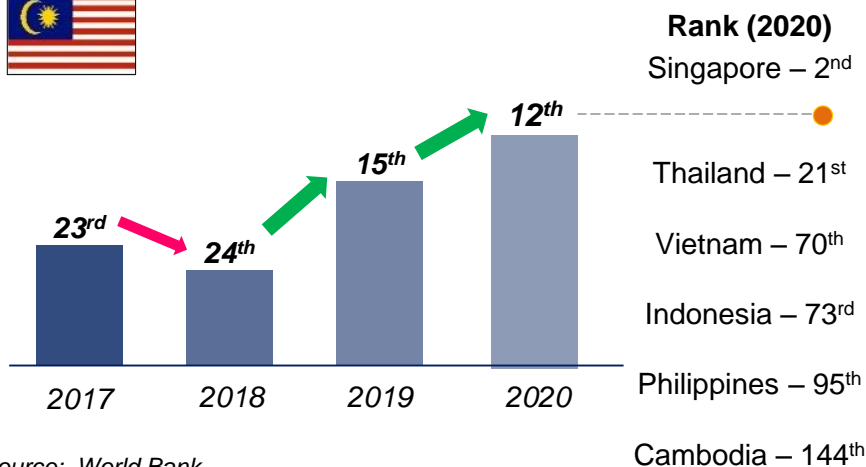


Higher index means lesser restrictions on investment flow

Source: The Heritage Foundation

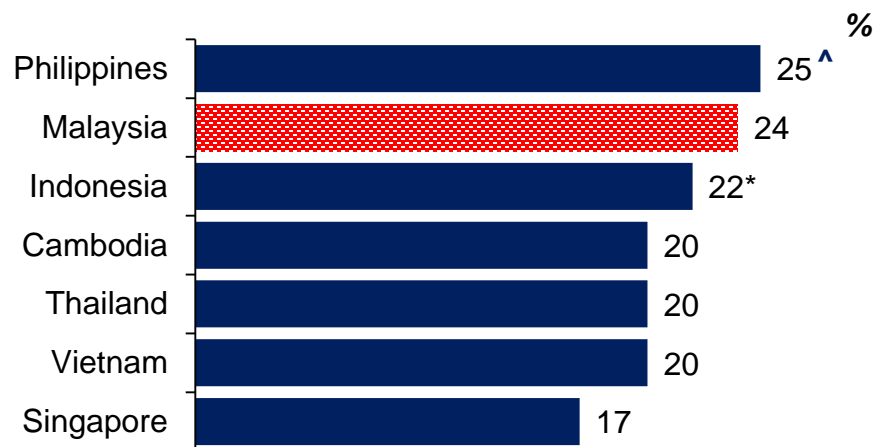
Where is Malaysia now? (cont.)

Ease of Doing Business



Source: World Bank

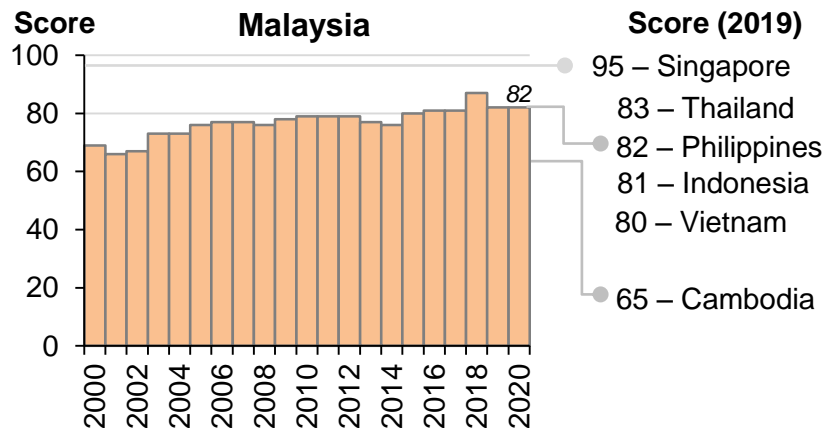
Corporate Tax Rate 2020 by Selected Countries



Source: Various Reduce to 20% in 2022 [^] Pending for enactment

Trade Freedom

100 score means the absence of tariff and non-tariff barriers



Source: The Heritage Foundation

Speedtest Global Index (As of Nov 2020)

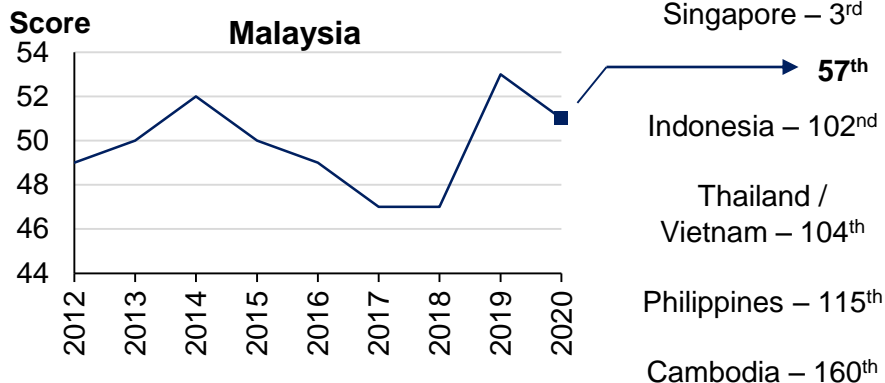
	Fixed-Broadband ADS*	World Ranking	Mobile-Broadband ADS*	World Ranking
Singapore	241.1	1	71.3	16
Thailand	213.1	3	42.8	44
Malaysia	91.4	43	24.3	88
Vietnam	60.8	59	33.2	63
Philippines	28.7	103	18.5	110
Cambodia	25.3	113	20.0	102
Indonesia	23.3	115	17.4	117

* ADS refer to Average Download Speed Source: Speedtest Global Index

Where is Malaysia now? (cont.)

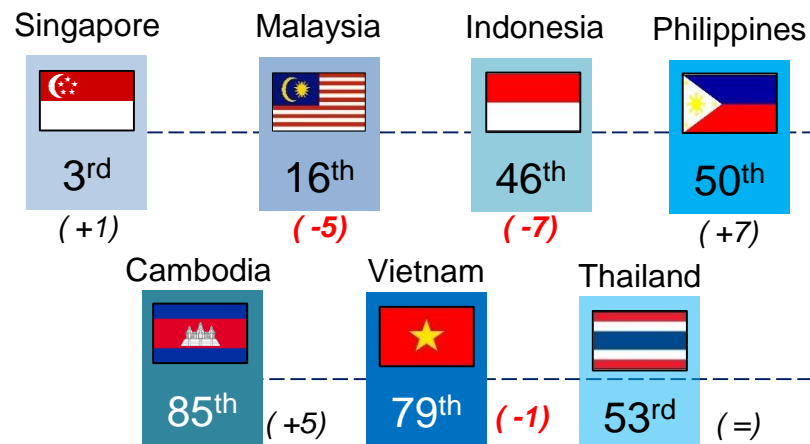
Corruption Perceptions Index

Score: Higher = Cleaner



Source: Transparency International

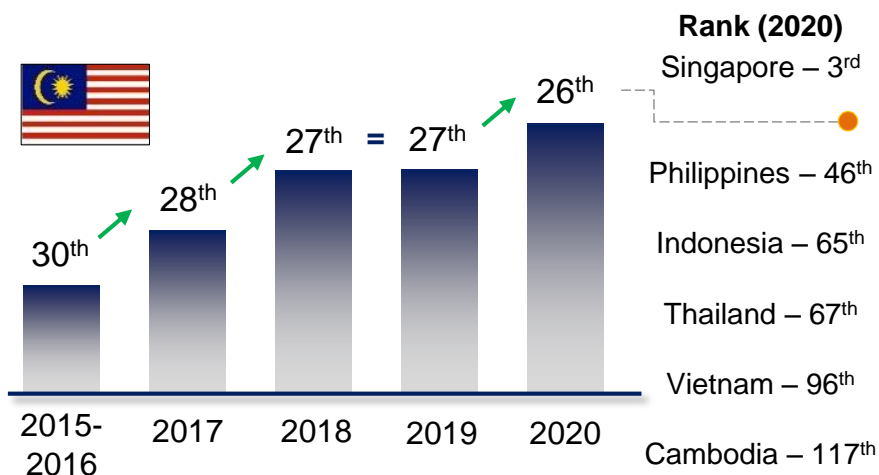
Active Labour Market Policies (2019)



Note: () indicates changes from 2018 ranking

Source: WEF

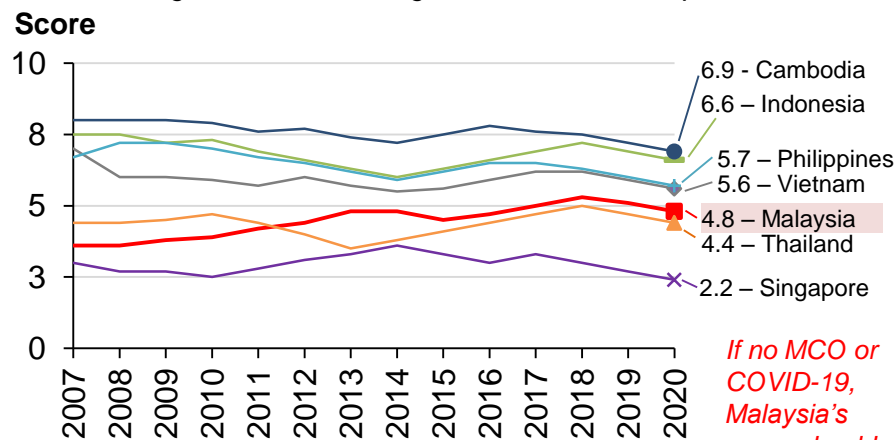
Global Talent Competitiveness Index (GTCI)



Source: Global Talent Competitiveness Index

Human Flight and Brain Drain Index

The higher the index, the greater the human displacement.



Note: 0 (low) - 10 (high)

Source: Fund for Peace

If no MCO or COVID-19, Malaysia's score should be above 5.0

Assessment of doing business risks in Malaysia

1) What is the world's business community most concerned with for the next decade?

2) What are the top risks for business in your market?

Top Perceived Risks for Doing Business (2020)

	1st	2nd	3rd	4th	5th
Malaysia	Spread of infectious diseases	Unemployment or underemployment	Failure of national governance	Cyber attacks	Misuse of technologies
Singapore	Cyber attacks	Spread of infectious diseases	Terrorist attacks	Asset bubble	Failure of climate-change adaptation
Thailand	Asset bubble	Failure of national governance	Spread of infectious diseases	Unemployment or underemployment	Cyber attacks
Indonesia	Spread of infectious diseases	Natural catastrophes	Fiscal crises	Asset bubble	Food crises
Philippines	Natural catastrophes	Failure of national governance	Spread of infectious diseases	Failure of critical infrastructure	Extreme weather events
Vietnam	Spread of infectious diseases	Human-made environmental catastrophes	Unemployment or underemployment	Fiscal crises	Cyber attacks
Cambodia	Asset bubble	Failure of national governance	Spread of infectious diseases	Energy price shock	Extreme weather events



Source: WEF (Executive Opinion Survey)

Net FDI flows to ASEAN countries

US\$ billion



4-Year CAGR



2012-2015

-24.2%

29.1%

20.4%

3.4%

32.6%

16.8%

-3.7%

9.4%

-2.9%

8.4%

2016-2019

12.2%

-15.2%

-0.5%

19.4%

7.3%

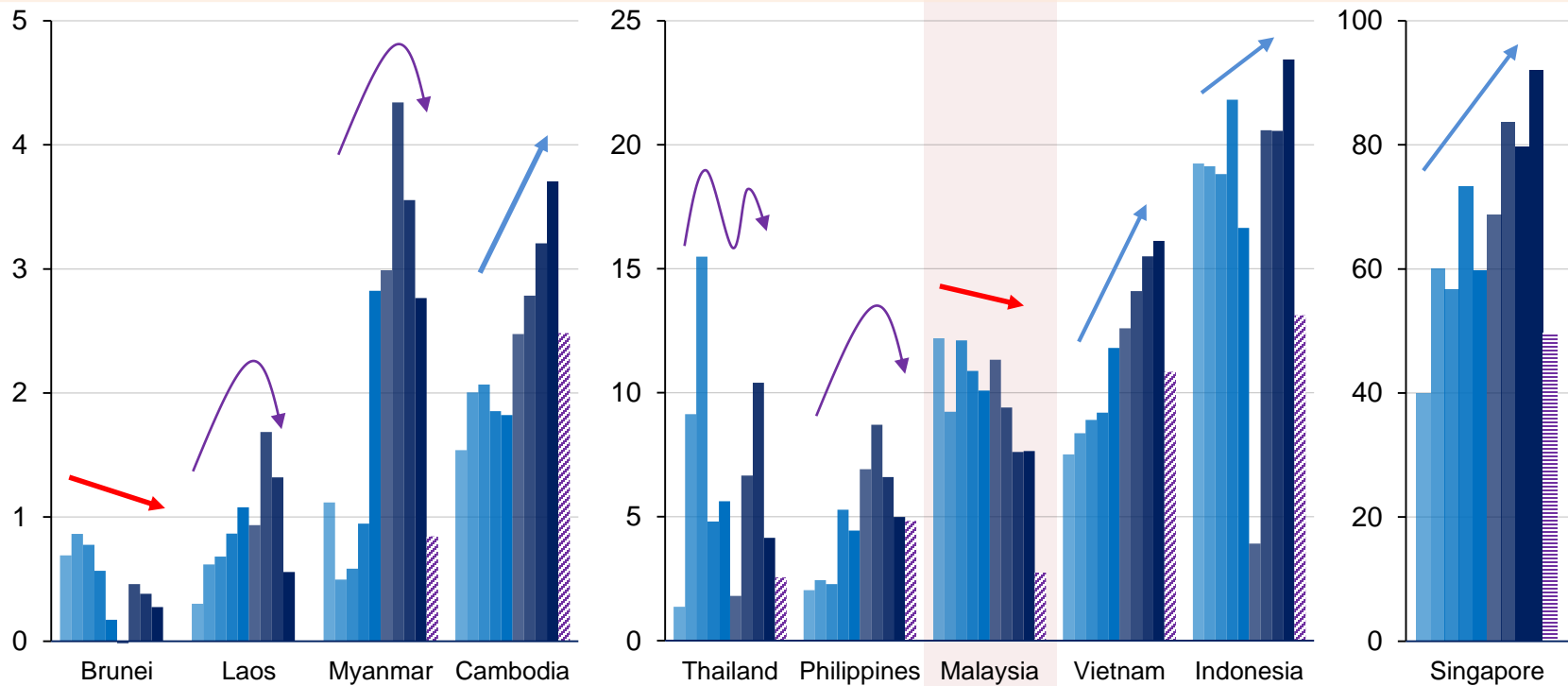
3.0%

-6.7%

8.1%

8.9%

11.4%



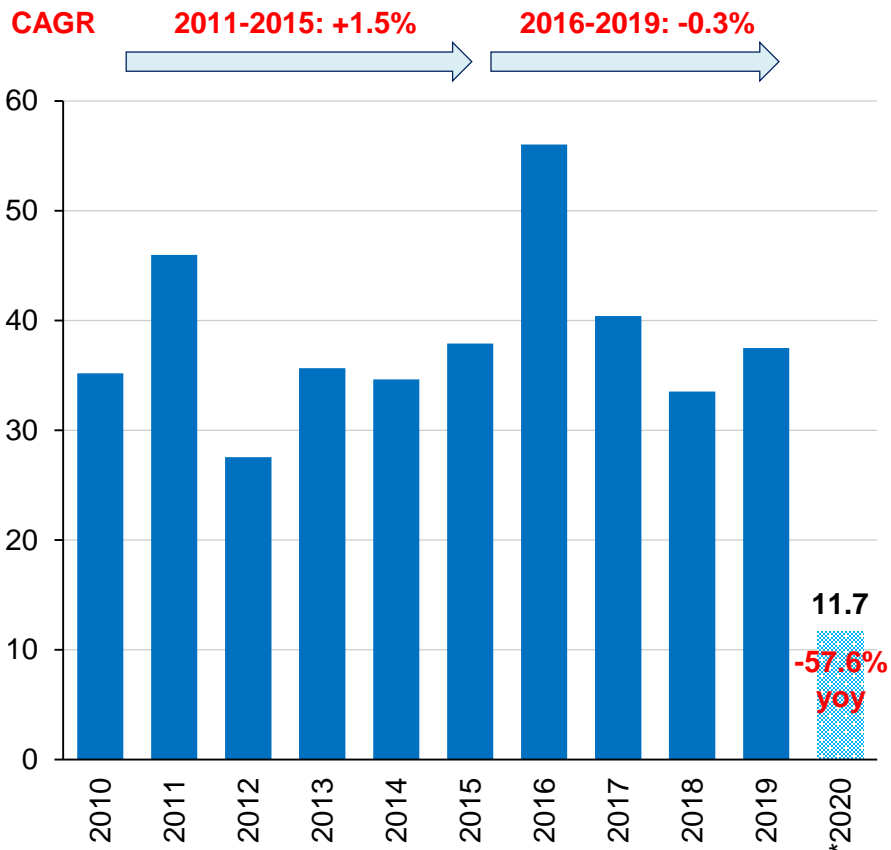
Source: UNCTAD; Various officials

* Jan-Sep 2020 (except Jan-Jun for Myanmar); cross exchange rate via average Malaysian Ringgit to US Dollar during the corresponding period for Cambodia, Thailand and Singapore

FDI in Malaysia ...

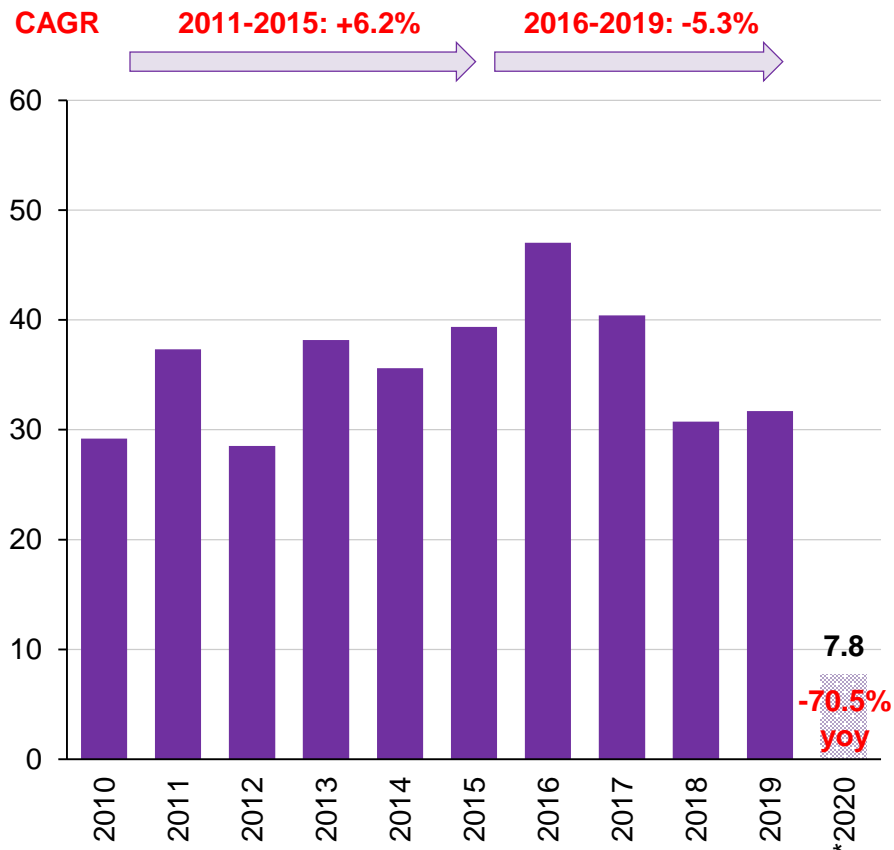
BOP Direct Investment (Liabilities)

RM billion



Net FDI Inflow

RM billion



* Jan-Sep 2020

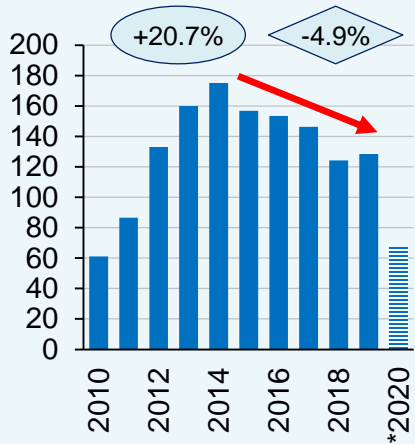
Source: BNM

Malaysia's approved domestic investment generally on a downward trend

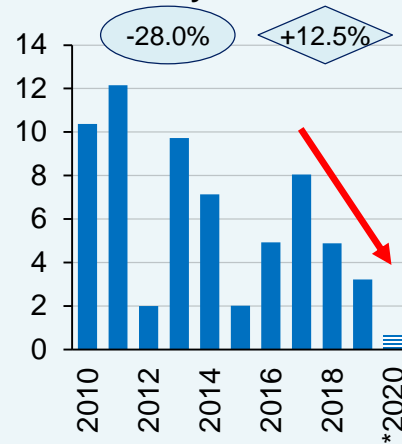
○ CAGR (2011-2015) ◇ CAGR (2016-2019)

Approved investments (RM billion)

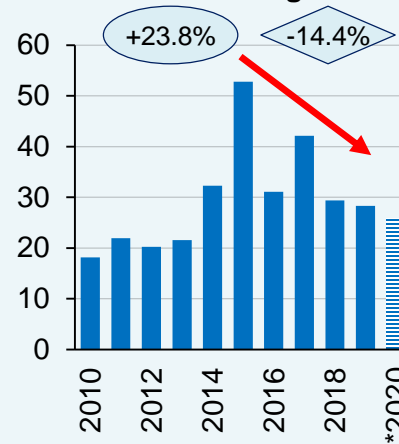
DDI – Total



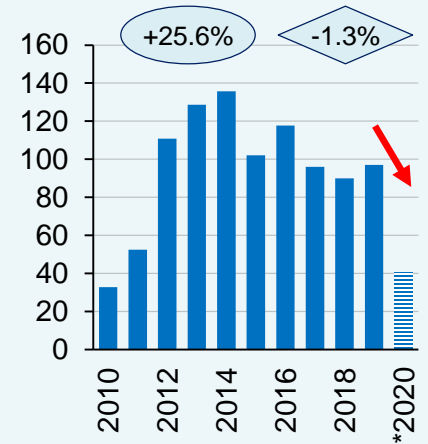
DDI – Primary sector



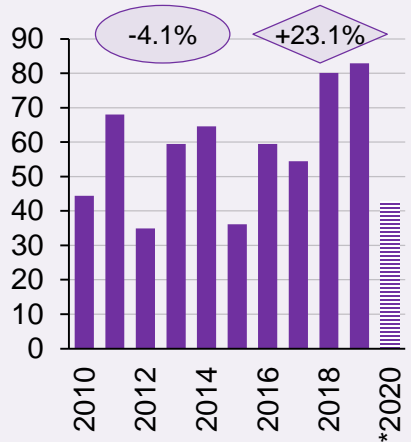
DDI – Manufacturing sector



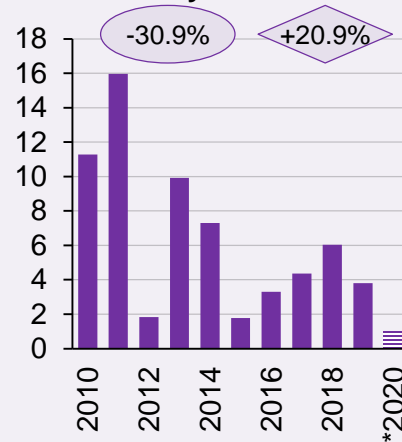
DDI – Services sector



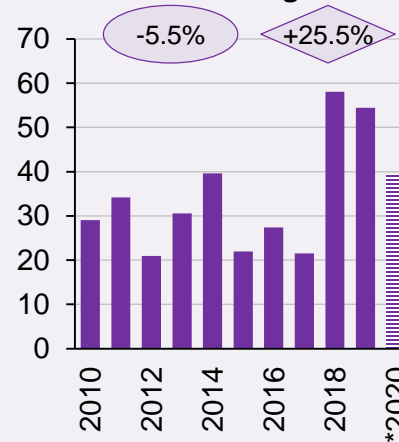
FDI – Total



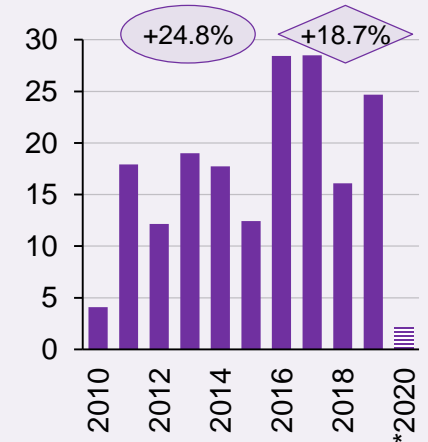
FDI – Primary sector



FDI – Manufacturing sector



FDI – Services sector



* Jan-Sep 2020
Source: MIDA

2020 saw a huge drop in approved investment in primary and services sector !!

According to MIDA's media release on 29 Jan 2021 ...

Malaysia has attracted a fair share of multinational corporations in the high-end and high- technology industries ...

Smith+Nephew

Schmidt & Nephew (UK)
High-tech medical device products



Dexcom (US)
Continuous glucose monitoring system – Niche offerings



SK Nexilis (South Korea)
Copper foil manufacturer – Electric vehicle batteries



LEM (Switzerland)
Electrical measurement company for industrial and automotive sectors



LAM Research (US)
Innovative wafer fabrication equipment and services – Advanced technology production facility



MusicTribe (US)
Professional audio products and musical instruments – Industry 4.0-driven, fully robotised manufacturing facility

Existing companies continued to expand their operations in Malaysia, illustrating Malaysia's on-going value proposition to investors ...



Eppendorf (Germany)
Life science company – Integrated centre for shared services hub



B.Braun (Germany)
Expand global test centre for medical devices



Western Digital (US)
Additional investments: Design, develop and manufacture media and substrates for HDD



Bosch (Germany)
Manufacturing facility park for testing of semiconductor components and sensors



Wistron (Taiwan)
Research and development, design, manufacture and sale of E&E products



Nippon Electric Glass (Japan)
Specialty glass manufacturer – Expand production capacity of glass tubing for pharmaceutical use

Companies relocating to Southeast Asia

MALAYSIA



Google
LLC



Nintendo
Co., Ltd



iRobot
Corporation



Wistron
Corporation



Smith & Nephew PLC

INDONESIA



Alpan Lighting



Sagami Electric



DENSO Corporation



MeiLoon



Kenda Tire



LG Electronics



Panasonic
Corporation



Under
Armour

Source: The Jakarta Post; Nikkei Asia; Various

Companies relocating to Southeast Asia (cont.)

VIETNAM



Nike



Samsung Electronics



Apple



Sharp Corporation



Dell



Qualcomm



Intel Corporation



Hewlett-Packard
Company



Google LLC



Microsoft
Corporation



TCL Technology
Group Corporation



Asics Corporation



Kyocera
Corporation



Nintendo Co., Ltd



GoerTek



Luxshare Precision
Industry



Panasonic
Corporation



Brooks
Running



Tapestry



Hasbro



Puma



Under Armour



Vera Bradley






Adidas

Source: Nikkei Asia; Various

Companies relocating to Southeast Asia (cont.)





THAILAND

 Sharp Corporation	 Google LLC	 Ricoh	 Sony Corporation
--	---	--	---

PHILIPPINES

 Ever Win International Corporation	 Medtecs International Corporation Limited	 Mytrex Health Technologies, Inc.	 Under Armour
---	--	---	---

CAMBODIA

 Vera Bradley	 Puma	 Steven Madden	 Under Armour
---	---	--	---

Source: The Jakarta Post; Nikkei Asia; Various

Snap points of investment incentives and facilitation of selected countries (cont.)

Incentives/Facilitation (Manpower)

Malaysia

- Individual income tax rate of 15% for a period of 5 consecutive years to a maximum of 5 non-resident individuals holding key positions for strategic new investment by companies relocating their operations to Malaysia

Thailand

Special Economic Zones and Eastern Economic Corridor

- Permission to bring foreign experts and technical staff together with their spouses and dependents into Thailand; and
- Permission to employ foreign unskilled workers in the promoted project, according to the conditions prescribed by Board of Investment (BOI)

New Stimulus Package for Foreign Investment

- Amendment to the Foreign Business Act, include simplifying the process for obtaining visas and work permits for foreign investors, and improving information sharing between the BOI and relevant state agencies

International business centre (IBC)

- Personal income tax rate of 15% for expatriate full time employees of the IBC and working for the IBC businesses

Indonesia

Omnibus Law

- New visa and sponsor exemption for investors
- Only provide FW utilisation plan (RPTKA) to hire FW, exempted of RPTKA for start-ups
- Removed maximum length for fixed term contract
- Removed limits on the type of work can be outsourced
- Maximum overtime hours increased
- Simplified regulations of minimum wage
- Introduction of job loss security program

Special Economic Zones (SEZs)

- Easy licensing and labour-related incentives



Source: Various

Snap points of investment incentives and facilitation of selected countries (cont.)

Facilitation (Operation & approvals)

Malaysia

- Establishment of Project Acceleration & Coordination Unit (PACU) at MIDA to facilitate all necessary approvals
- Expedited Manufacturing License approval for non-sensitive industry within 2 working days

Thailand

New Stimulus Package for Foreign Investment

- Establishment of an investment and steering committee

Philippines

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

- Fiscal Incentives Review Board (FIRB) will have the authority to recommend the appropriate fiscal and non-fiscal support initiatives.
- The President can approve the said incentives along with longer periods of availments of up to 40 years.

Indonesia

Omnibus Law

- New business license scheme based on level of risk
- Spatial plan issued by central government
- Environmental license no longer needed, only assessment retained
- Building technical standard will be set, several requirements revoked
- Unify business license in 15 sectors
- Not differentiating investment for local or foreign\

Import duty

Thailand

Special Economic Zones and Eastern Economic Corridor

- Exemption from import duty on raw materials and inputs used in the production of products;
- Reduced or waived import duty on machinery;

Indonesia

Special Economic Zones (SEZs)

- Deferred import duties for imported goods; and exempted excise for imported goods

Vietnam

For selected sectors (Hi-techs, IT, agriculture, ancillary industries, infrastructure construction, healthcare and etc.)

- Import tax exemption for imported goods used for fixed assets; raw materials, supplies, parts used for the project



Source: Various

Snap points of investment incentives and facilitation of selected countries (cont.)

Other incentives / allowances / deductions / exemptions

Malaysia

- Special Reinvestment Allowance for manufacturing and selected agriculture activity for YA 2020 – YA 2022
- Enhancement of the Domestic Investment Strategic Fund
- RM1 billion customised packaged investment incentives annually over 5 years to attract targeted Fortune 500 companies and global unicorns in high technology, manufacturing, creative and new economic sectors
- Double deduction for pre-commencement expenditure incurred by international shipping company which set up a Regional Office in Malaysia
- Limit on the value-added and additional activities to be carried out in the Free Industrial Zone and Licensed Manufacturing Warehouse be increased from 10% to exceeding 40% from the total annual sales value

Thailand

Special Economic Zones and Eastern Economic Corridor

- Double deductions for expenses related to transportation, electricity and power supplies for 10 years;
- A 25 percent deduction of investment costs on the installation or construction of facilities used, beginning from the date in which revenue is generated;

New Stimulus Package for Foreign Investment

- Expanding free trade networks
- Develop special investment zones for companies from individual countries, namely South Korea, Japan, China, and the US

Indonesia

Special Economic Zones (SEZs)

- Customs exemption is available

Philippines

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

- Extending the sunset period for IPA-registered firms by two years to enjoy and adjust to the new incentive scheme
- Due to the unique situation in 2020, CREATE will be extending the carryover period to 5 years to allow businesses to deduct incurred losses from tax payments for a longer period and also provide them extra time to re-organize their financial

Vietnam

For selected sectors (Hi-techs, IT, agriculture, ancillary industries, infrastructure construction, healthcare and etc.)

- Exemption or reduction for land rents, land levy

Source: Various

Driving Investment Climate Reforms

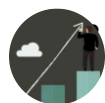
Investment climate reforms are regulatory reforms that promote private investment by reducing bureaucratic obstacles, costs and time constraints to doing business and improving the efficiency of legal institutions



1. Enhancing Conducive Investment Climate (cont.)

Policy recommendations

Conducive Investment Climate



Private sector-led growth and investment is highly contingent on **implementing transparent and stable, inclusive and efficient policies as well as good regulatory practices**



Minimising day-to-day uncertainties as well as unclear guidelines and rules matter to businesses

Competitive Corporate Tax Rate

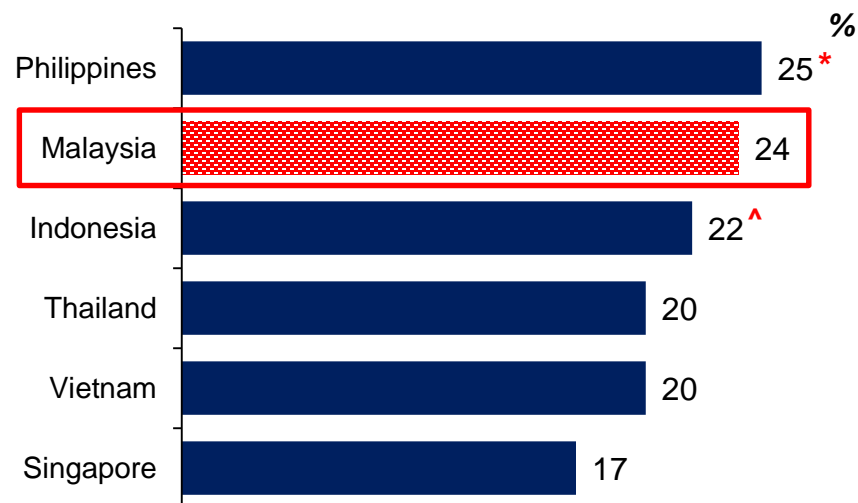


An upfront pre-announcement of a progressive reduction in corporate tax rate to 20% from 24% currently over three years starting with the Budget 2022



A flat corporate tax rate for SMEs at 15% for SMEs that meet the national SMEs definition

Corporate tax rate 2020 by selected countries



* Pending for enactment; further reduce by 1 percentage point every year from 2023 till 20%

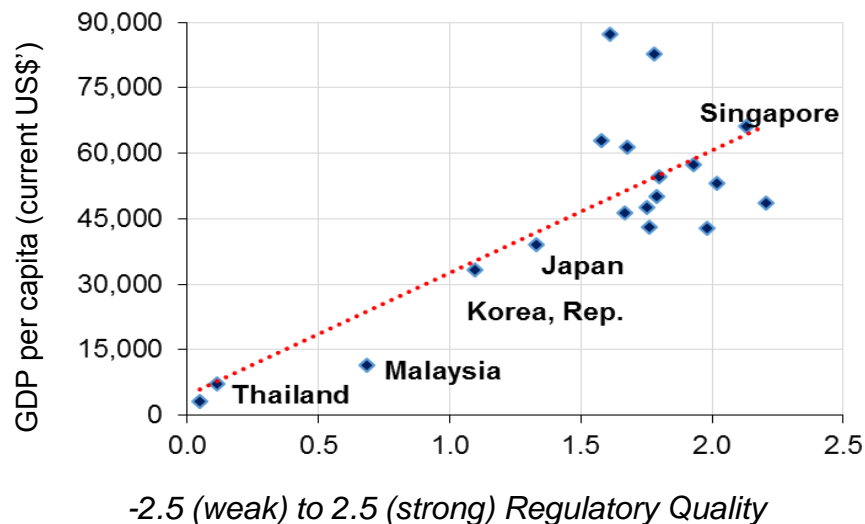
^ Down to 20% in 2022

Source: KPMG: The Star; Trading Economics; Oxford Business Group

2. The Need for Regulatory Reforms

- **Common regulators-to-business pain points:** Delays, lack of transparency in the approval process, paperwork burden, duplication (same information to numerous agencies several times), inconsistency and complexity
- **81.5% of respondents have experienced issues/problems** when engaging with the state and local authority pertaining to their investment plan
- Federal and states' agencies have overlapping power and authority
- **Lack of coordination among Ministries / agencies / departments** frustrate businesses having wasted more time and resources to deal with conflicting regulatory requirements

Regulatory quality is positively correlated with GDP per capita (2018)



Top 5 Issues/problems when engaging with state and local authority pertaining to their investment plan

	Overall
Bureaucratic hassles	58.9%
Licensing issues	55.7%
Inconsistent information and procedures	49.2%
Time-consuming to obtain building plan approval	42.1%
Land issues	30.3%

Source: NCCIM's Survey on Domestic Direct Investment (DDI)

3. Economic and Institutional reforms

- We need to chart a roadmap for restoring public trust in the Government by making immediate and tangible improvements to the institutional and political system. The focus points over the next five years are as follows:



Address structural weaknesses and vulnerabilities as Malaysia still remain trapped in the high middle-income trajectory, limited fiscal space to counteract economic shock, low investment in information and communication technology (ICT), slowing productivity growth, enhance greater exports capacity, and the shortage of skilled manpower and brain drain.



Reviving economy and ensuring **sustainability (Environmental, Social, and Corporate Governance (ESG))**, **digitalisation, education and skilled human capital development** to prepare our workers to have skill set to excel in the jobs of the future will be central.



A major overhaul of redistributive policies and design an inclusive social protection system safety to **reduce income inequality and regional economic development gaps**.

3. Economic and Institutional reforms (cont.)



Redefining the role of the Government, government-linked companies (GLCs) and government-linked investment companies (GLICs). Reforming public sector delivery services to become an effective facilitator. GLCs should focus on building strong institutions, spearheading new growth areas to open up for private sector as well as developing areas based on policy needs.



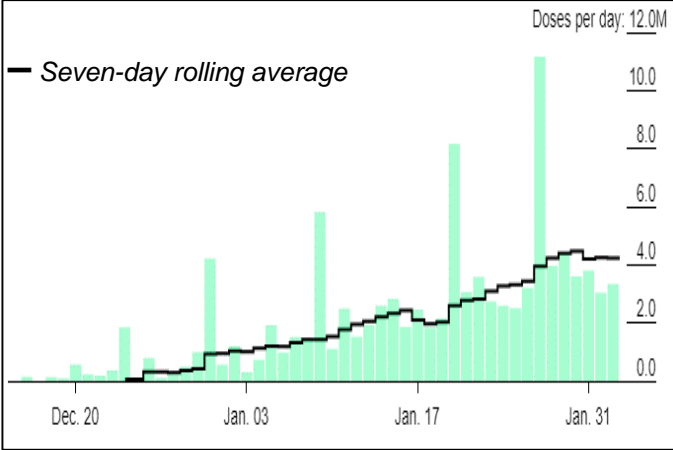
Competitiveness, innovation and environmental sustainability in ensuring our businesses and industries are able to compete in an increasingly complexity global marketplace.




Appendix

More than 104 million doses administered in 66 countries as of 3 February 2021

An average of **4.22 million shots** were recorded each day for the last week.






United States
Doses Administered:
 33.7 million
 (32.2% share*)

% of population given:
 a) 1+ dose = 8.2%
 b) 2 doses = 1.9%


Daily rate of doses administered:
 1.3 million



China
Doses Administered:
 24.0 million
 (22.9% share*)

% of population given:
 1.7%


Daily rate of doses administered:
 818,182



European Union
Doses Administered:
 13.5 million
 (12.9% share*)

% of population given:
 a) 1+ dose = 2.3%
 b) 2 doses = 0.6%


Daily rate of doses administered:
 536,486



United Kingdom
Doses Administered:
 10.1 million
 (9.7% share*)

% of population given:
 a) 1+ dose = 14.4%
 b) 2 doses = 0.7%


Daily rate of doses administered:
 402,534



Israel
Doses Administered:
 5.1 million
 (4.8% share*)

% of population given:
 a) 1+ dose = 35.4%
 b) 2 doses = 20.4%


Daily rate of doses administered:
 144,004



India
Doses Administered:
 4.0 million
 (3.8% share*)

% of population given:
 0.3%

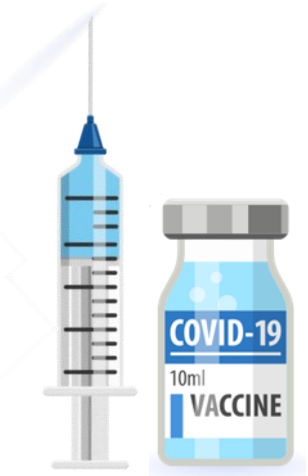
Daily rate of doses administered:
 275,192



UAE
Doses Administered:
 3.6 million
 (3.4% share*)

% of population given:
 33.2%

Daily rate of doses administered:
 126,691

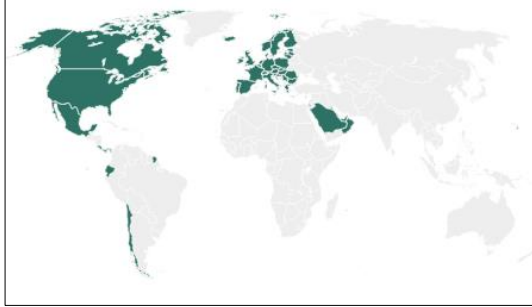


Source: Bloomberg's Covid-19 Vaccine Tracker

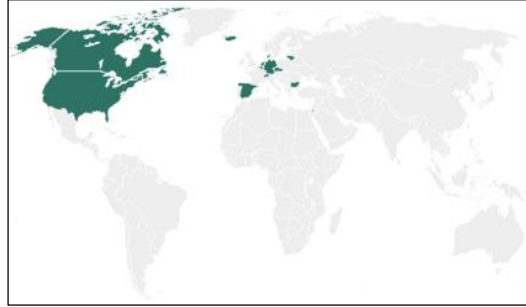
* Share of total doses

The distribution of vaccines

Pfizer-BioNTech
49 countries



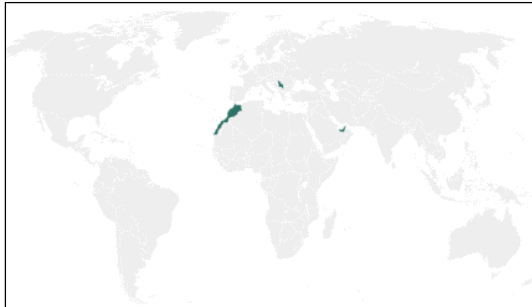
Moderna
13 countries



Oxford-AstraZeneca
7 countries



Sinopharm-Wuhan
5 countries



Gamaleya (Sputnik V)
4 countries



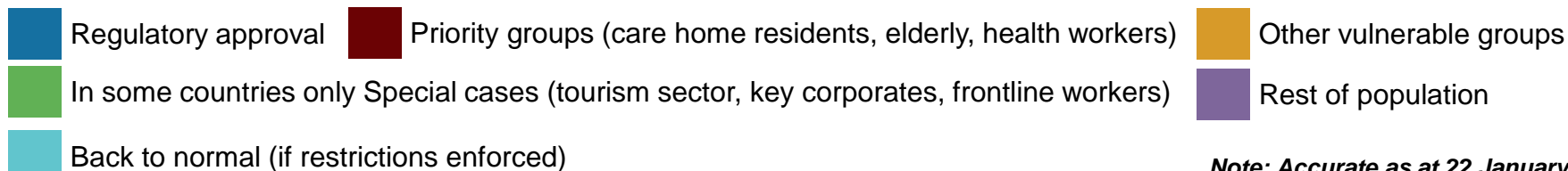
Sinovac
4 countries



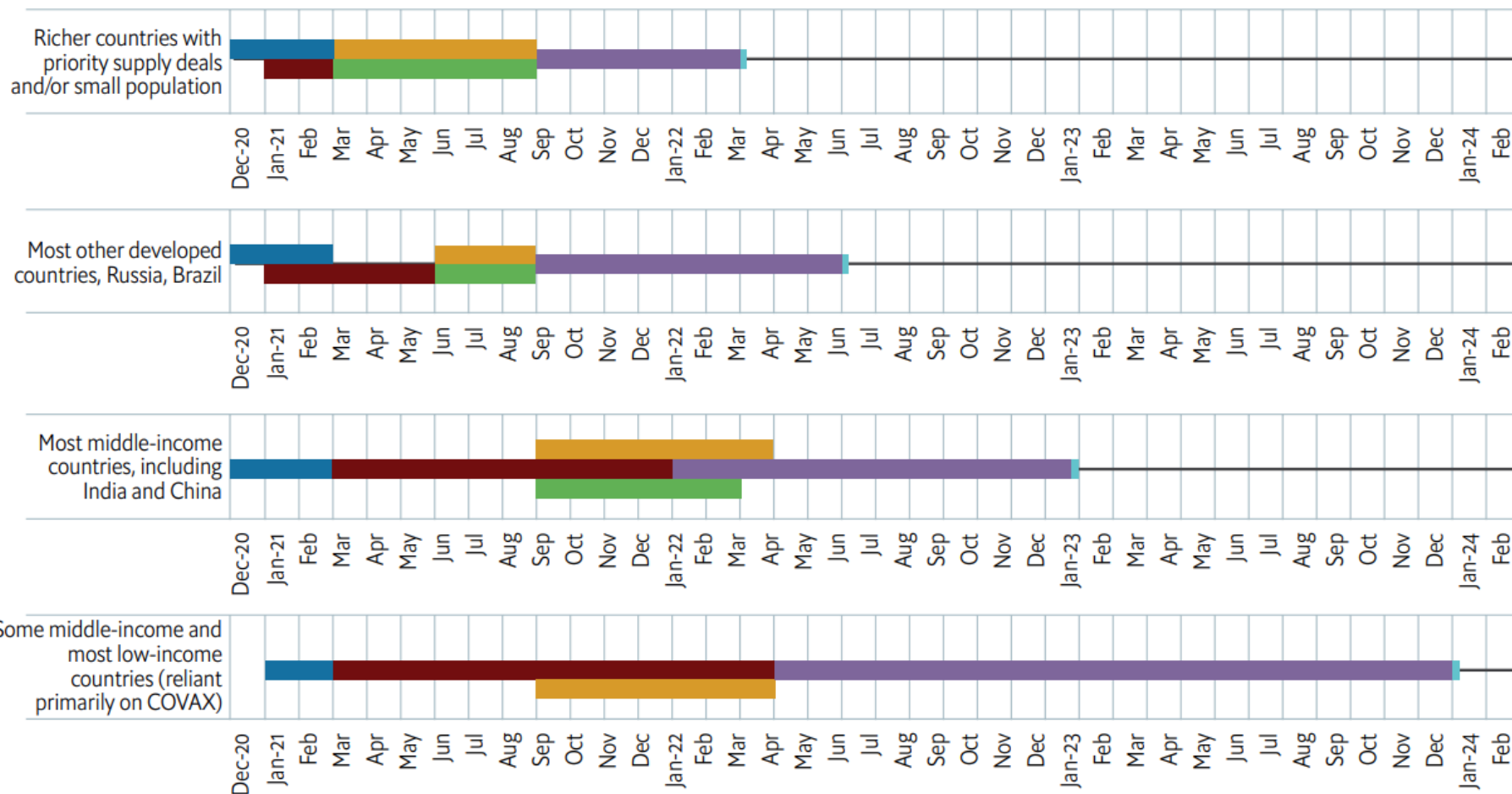
- **Sinopharm – 1 country: China**
- **Bharat Biotech (Covaxin) – 1 country: India**

Note: The Oxford-AstraZeneca vaccine is known as Covishield in India. Other countries may have approved vaccines but have not administered them yet.
Source: Our World in Data; The New York Times

Coronavirus vaccines rollout schedule

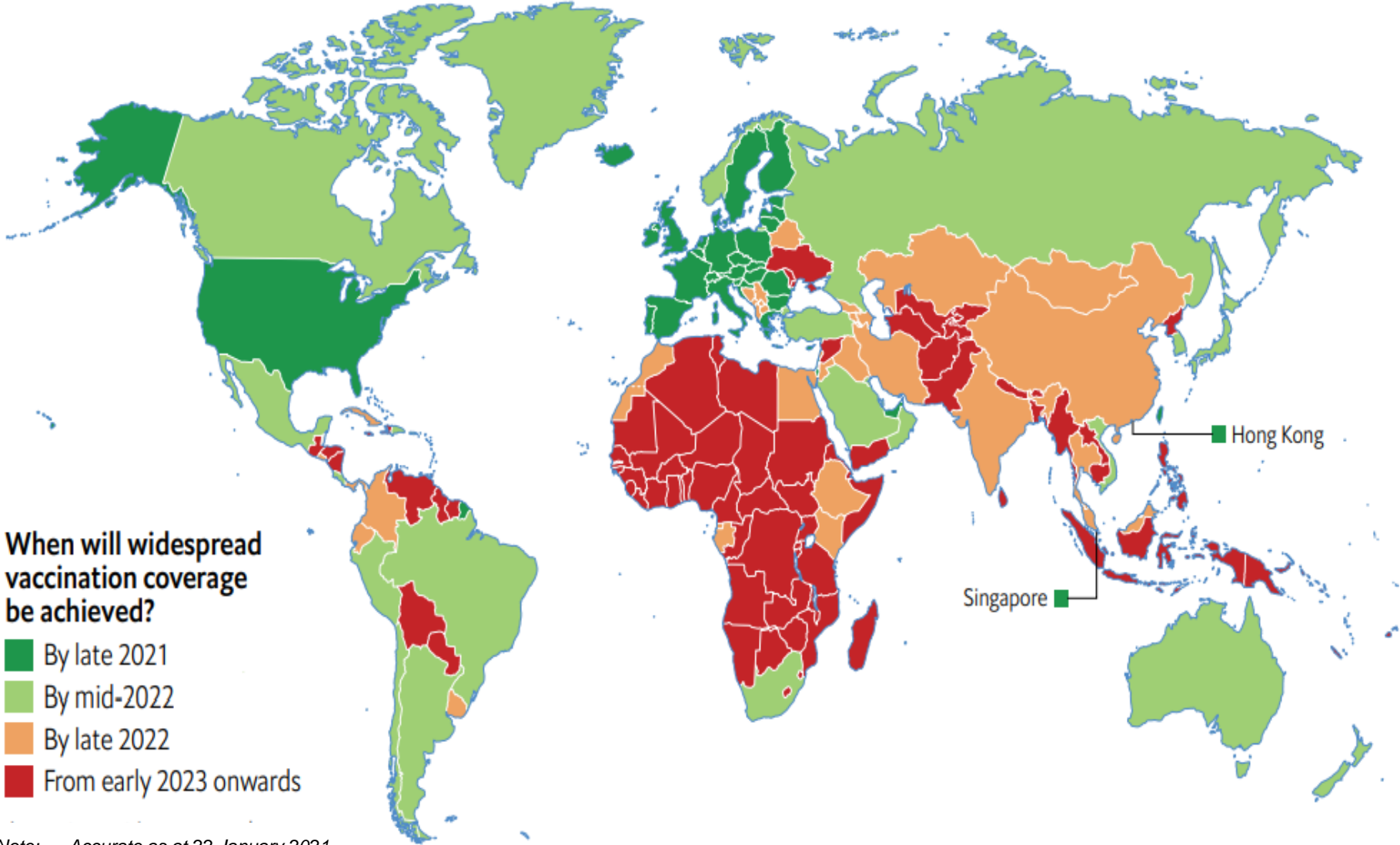


Note: Accurate as at 22 January 2021



Source: The Economist Intelligence Unit

Rich countries will get access to coronavirus vaccines earlier than others



Note: Accurate as at 22 January 2021
Source: The Economist Intelligence Unit

Companies relocating to Southeast Asia

Malaysia	Sources
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Smith+Nephew	<ul style="list-style-type: none"> • https://www.malaymail.com/news/money/2019/11/19/uk-medical-equipment-maker-smithnephew-opens-first-south-east-asia-plant-in/1811298
Wistron	<ul style="list-style-type: none"> • https://www.theedgemarkets.com/article/taiwans-wistron-purchase-western-digital-plant-pj-confirming-edge-report • https://www.taipeitimes.com/News/biz/archives/2019/06/13/2003716805
Nintendo	<ul style="list-style-type: none"> • https://techraptor.net/gaming/news/nintendo-switch-production-expands-with-new-malaysia-operations
Google	<ul style="list-style-type: none"> • https://www.thestar.com.my/tech/tech-news/2019/06/13/google-is-moving-more-hardware-production-out-of-china

Indonesia	Sources
Under Armour	<ul style="list-style-type: none"> • https://www.cnbc.com/2019/08/02/new-tariffs-on-shoes-has-the-industry-bracing-for-a-hit.html
Alpan	<ul style="list-style-type: none"> • https://www.scmp.com/business/companies/article/3091830/us-lighting-company-alpan-joins-exodus-manufacturers-leaving
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Pou Chen Group (Nike and Adidas), Puma and Under Armour	<ul style="list-style-type: none"> • https://www.forbes.com/sites/peterpham/2018/11/29/vietnams-trade-war-balancing-act/?sh=5cc795c87b36 • https://asia.nikkei.com/Business/Business-trends/Trade-war-fuels-Taiwanese-producers-withdrawal-from-China • https://www.cnbc.com/2019/08/02/new-tariffs-on-shoes-has-the-industry-bracing-for-a-hit.html
Samsung	<ul style="list-style-type: none"> • https://asia.nikkei.com/Business/Technology/SK-Hynix-to-move-chip-facilities-to-China-to-meet-rising-demand
Apple, Google and Microsoft	<ul style="list-style-type: none"> • https://asia.nikkei.com/Spotlight/Coronavirus/Google-Microsoft-shift-production-from-China-faster-due-to-virus • https://www.cnbc.com/2020/03/05/coronavirus-apple-microsoft-google-look-to-move-production-away-from-china.html • https://e.vnexpress.net/news/business/companies/apple-to-trial-wireless-earphone-production-in-vietnam-3954261.html
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Intel	<ul style="list-style-type: none"> • https://www.spglobal.com/marketintelligence/en/news-insights/trending/6QsRo0kKVknyHEozADg-Jg2

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Tapestry and Vera Bradley	<ul style="list-style-type: none"> • https://themalaysianreserve.com/2018/08/28/made-in-cambodia-may-become-new-fashion-label-with-tariffs-hitting-china/
Hasbro	<ul style="list-style-type: none"> • https://www.cnbc.com/2019/07/23/hasbro-to-cut-china-production-of-its-toys-looks-to-india-and-vietnam.html • https://www.bloomberg.com/news/articles/2019-07-24/world-s-top-toymaker-joins-companies-leaving-china-s-factories
HP and Dell	<ul style="list-style-type: none"> • https://www.vir.com.vn/foreign-groups-step-up-plans-to-enter-or-expand-in-vietnam-76012.html
Qualcomm	<ul style="list-style-type: none"> • https://e.vnexpress.net/news/business/qualcomm-sets-up-first-regional-r-amp-d-facility-in-hanoi-4119123.html
TCL	<ul style="list-style-type: none"> • https://www.cnbc.com/2019/07/18/more-than-50-companies-reportedly-pull-production-out-of-china-due-to-trade-war.html
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Kyocera	<ul style="list-style-type: none"> • https://asia.nikkei.com/Business/Companies/Kyocera-shifts-China-production-to-Vietnam-to-avoid-Trump-tariffs
Asics	<ul style="list-style-type: none"> • https://www.japantimes.co.jp/news/2019/08/05/business/japan-firms-join-exodus-chinas-factories-tariffs-bite/

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Thailand	Sources
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Ricoh	<ul style="list-style-type: none"> • https://www.japantimes.co.jp/news/2019/08/05/business/japan-firms-join-exodus-chinas-factories-tariffs-bite/
Google	<ul style="list-style-type: none"> • https://asia.nikkei.com/Spotlight/Coronavirus/Google-Microsoft-shift-production-from-China-faster-due-to-virus • https://www.cnbc.com/2020/03/05/coronavirus-apple-microsoft-google-look-to-move-production-away-from-china.html
Sony	<ul style="list-style-type: none"> • https://www.thailand-business-news.com/china/71676-sony-to-shift-smartphone-plant-to-thailand.html

Philippines	Sources
Under Armour	<ul style="list-style-type: none"> • https://finance.yahoo.com/news/armour-will-use-trumps-trade-war-shift-production-away-china-170324290.html
Ever Win	<ul style="list-style-type: none"> • https://www.equipment-news.com/ever-win-us-electronics-company-relocates-to-philippines-from-china-2/
Medtecs and Mytres Health	<ul style="list-style-type: none"> • https://focustaiwan.tw/society/202012070007 • https://www.taipeitimes.com/News/biz/archives/2020/12/08/2003748298

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Cambodia	Sources
Under Armour	<ul style="list-style-type: none">• https://finance.yahoo.com/news/armour-will-use-trumps-trade-war-shift-production-away-china-170324290.html
Puma	<ul style="list-style-type: none">• https://www.industryweek.com/leadership/article/22027993/puma-feels-trade-heat-as-sportswear-makers-retreat-from-china
Vera Bradley and Steven Madden	<ul style="list-style-type: none">• https://themalaysianreserve.com/2018/08/28/made-in-cambodia-may-become-new-fashion-label-with-tariffs-hitting-china/



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谢谢
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