



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

**Invest Malaysia 2022, Series 1 (Bursa - JPMorgan)**

**Malaysia's Economic Sustainability:  
Addressing New Challenges**

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# Reform Beyond Pandemic

- **Painful adjustments to the new reality** - and how we can be more prepared on all fronts to withstand future financial, economic and non-economic shocks.
- **Current structural issues and constraints** - recalibrate and undertake politically feasible reforms to deliver a more **inclusive, resilient, and sustainable future**.
- **Reform-minded leaders and policymakers** - do what is right for the country even though the structural reforms inflicted short-term pains on the society and business.
- **Medium- and long-term gains are enormous** – investor confidence, enhance competitiveness, increase economic growth and productivity as well as expand both domestic and foreign investment.
- **Reform needs a strong ownership and the political institutions** to guide credible economic policy making, resolve social conflicts, and more engagements with the business community and civil society.



## LEANER GOVERNMENT AND REBUILD PUBLIC SAVINGS

- **Rebuild large fiscal space** - leaner and rebuild savings for rainy days
- **Closely scrutinise and prioritise operating and development expenditures**
- **Fiscal Responsibility Act and Government Procurement Act – Fiscal Council**
- **Targeted fuel subsidy and cash assistance program**
- **Unsustainable deficits and public debt** - negative effect on households' savings, private investment and sovereign ratings



## POLITICALLY FEASIBLE TAX SYSTEM REFORMS

- Tax system must **reward greater work efforts and productivity improvement**
- Relying less on labour and capital income taxes
- **Broad-base consumption tax revenue more stable** (Tax to GDP ratio at 11%)
- **OECD Domestic tax base erosion and profit shifting (BEPS) - Minimum global tax rate of 15%** for MNEs, regardless of where they are headquartered or the jurisdictions, they operate in



## BETTER INVESTMENT CLIMATE

- **Conducive and competitive investment climate**
- **Reorientation of supply chains – production-linked incentives, investment packages, skill supply**
- **Policy certainty, transparent and good governance**
- **Too many taxes, regulatory and compliance costs** raise costs and discourage new and reinvestment
- **Reforming regulations with high compliance costs**, not simply reducing the number of regulations



## GAPS IN EDUCATION SECTOR & SKILL DEVELOPMENT

- Improving the **delivery and quality of education**
- Empowering **Science, technology, engineering, and mathematics (STEM)** – target at 60%
- **Skilled and talent diaspora** – 24.7% skilled workers; 62.2% semi-skilled workers, and 13.1% low-skilled workers
- Enhance the Expert Returning Program, Structured Internship Program
- **Enhance manpower quality** with appropriate skills through better enhancement framework of TVET



## INADEQUACIES IN THE HEALTHCARE SECTOR

- **Increase expenditure in public healthcare to 4-5% of GDP.** Malaysia only allocates 2.59% of its GDP for public health expenditure below the benchmark of 4%-5% in an upper middle-income country
- **A universal healthcare system** must be given priority
- **A leaner, efficient and capable healthcare administrative structure** to maintain the quality of access and affordable healthcare services



## GAPS IN SOCIAL PROTECTION SYSTEM

- **Social assistance schemes** rose from 95 in 2012 to 137 in 2020
- **Fragmentation and duplication** of programs
- **Streamlined, better targeting, and strengthened administration mechanism and effective delivery** to the beneficiaries using digital technologies



## AGED CARE REFORMS AND RETIREMENT SAVINGS

- In 2020, **10.3% of total population** (3.4 million persons) **aged 60** vs. 7.9% in 2010
- **Ageing population impact - labour participation and productivity; fiscal budget – healthcare and revenue**
- **Adequate social safety net to protect and supplement for the essential needs for needy elderly** (public healthcare, housing, transportation, long life learning program and community care centres for the elderly)
- **Addressing retirement savings crisis** - proper financial planning awareness; develop more retirement investment financial products; and provide tax concessions to incentivise more voluntary retirement savings



## RESET AGRICULTURE AND RURAL FARMING

- **Climate change and a risk of food scarcity** (food security) - transformation of agriculture
- **Modern and smart farming** - increased productivity via digitalised technology, and developing robust supply chain for agricultural products
- **Bolder farm land reforms (longer land leasing)** to improve the efficiency of land allocation
- **Agricultural logistics and delivery system along the whole supply chains** to curtail the influence of the middlemen
- **Focus on R&D** in agricultural products - high value-added food production and export potential
- **Launching of programs such as One Village, One Product or One District, One Product** could create local employment and rejuvenate rural economies



## INVEST IN SUSTAINABLE FUTURE

- Trade complexity, climate change, healthcare and ageing population
- **Accelerating digitalisation and technology and automation**
- Accelerating the transition towards **green investment and growth**
- **Environmental, Social and Governance (ESG)**
- ACCCIM Survey - **only 16.1% of respondents** have already implemented green practices



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**谢谢**  
**THANK YOU**

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