Organised by

MALAYSIAN ECONOMIC SUMMIT 2018

WHITHER ECONOMIC GROWTH, TOWARDS SUSTAINABLE PRODUCTIVITY

16 OCTOBER 2018 ⬩ Royale Chulan Kuala Lumpur

The Malaysian economy is showing resilience early in the year, with solid manufacturing wage gains and tight labour conditions buttressing the domestic economy, and robust foreign demand supporting exports. Capital expenditure has also increased due to higher private and public investment.

Against this backdrop, economic growth is expected to moderate in the first quarter of 2018, a slowdown that will be compounded by rising debt servicing costs and gradual household deleveraging. Nonetheless, a solid outlook for consumer spending, a pick-up in infrastructure investment and a boost ahead of the elections bode well for this year's GDP forecast. The Malaysian GDP is expected to expand a healthy 5.3% in 2018 and 5.0% in 2019. The recently approved Trans-Pacific Partnership should boost Malaysia's long-term economic prospects, opening access to new markets.

But growth is not all that a country lives on.

One pressing issue is that the benefits of this strong growth do not accrue proportionately to all Malaysians. There is substantial dissatisfaction with the rising cost of living, particularly among the bottom 40 per cent of income earners in urban areas. Low-income households are also concerned about car ownership, housing, healthcare and other unavoidable expenditures that cut into household income. The issue of rising healthcare cost and housing costs has placed tremendous pressure on household incomes which has not risen in tandem with the rising cost of living.

Both healthcare and affordable housing are long-term issues. A more immediate concern is Malaysia's high household debt: the household debt-to-GDP ratio is a staggering 88.4 per cent. Equally worrisome is Malaysia's high public debt. In 2016, the public debt-to-GDP ratio was 52.7 per cent.

The government's commitment to high contingent liabilities compounds Malaysia's debt issue. Government-guaranteed liabilities stood at 13 per cent of GDP in 2011 and 15 per cent in 2016, but such a comparison might miss the complexities of the risk that are specific to each country. Even if the government is selective in its choice of projects, high contingent liabilities expose the economy to risk.

Issues such as the weak ringgit, fiscal deficit and support for the disadvantaged have received adequate attention this year. A different set of questions will now need attention if Malaysia is to continue its good streak from 2017 into 2018.

Who Should Attend?

- Researchers from academia, think-tanks, regional institutions and students
- Business leaders with current and potential investments in the Malaysian economy sectors
- Policymakers, political leaders, senior government officials and key economy exporters
- Business specialists – business professionals, mid-level managers, business development managers, analysts, risk professionals in industrial sectors and financial institutions
- Owners of business enterprise

PROGRAMME

Tuesday, 16 October 2018

8.30am Arrival and Registration of Participants

9.30am **Welcome Remarks**

- **Tan Sri Michael Yeoh**
  Executive Vice Chairman, KASI Institute

9.40am **Opening Keynote Address**

Proposed Speaker

- **Hon. Dato' Seri Mohamed Azmin Bin Ali (tbc)**
  Minister of Economic Affairs

10.10am **Morning Refreshment**

10.30am – 11.30am **Panel 1: Malaysia's conundrum - Malaysia's economy is on its way to achieve high-income status – priorities and challenges**

The 11th Malaysia Plan, covering the years from 2016 to 2020, charts a path toward advanced economy status and greater inclusion. Increasing productivity and encouraging more innovation are core objectives of the plan, which has six strategic pillars that touch on a range of development issues—including equity, inclusiveness, environmental sustainability, human capital development, and infrastructure.

The plan also puts significant emphasis on improving labor market outcomes and targets increases in labor's share of income, female labor force participation, and skilled labor employment, as well as improvements in education quality and matching skills to industry needs.

- Has Malaysia avoided the middle-income trap? Why?
- What are some of the priorities outlined in the government's 11th Malaysia Plan that will help the country get there?
- What are the challenges for achieving greater inclusion?
- How do you balance the need to achieve high income status for the country and the rising high cost of living for the people?
- 2017 & 2018 also marks the 20th Anniversary of the Asian Financial Crisis and the Global Financial Crisis respectively. What lessons have we learnt to prevent such crises from occurring again?

11.30am – 12.30pm **Panel 2: Public Expenditure & Fiscal Planning – Handling deficit and seeking an equilibrium between growth and productivity**

Over the past three years, the federal government deficit was reduced from 3.4 percent of GDP in 2014 to 3 percent of GDP in 2017. This is helping bring down debt. Deficit reduction was achieved mainly through expenditure cuts, although the introduction of a Goods and Services Tax in 2015 also helped.

As Malaysia's public debt continues to decline, the IMF is recommending that the government shift toward raising revenues, rather than achieving its goals through continued cuts in public spending.

- Looking ahead, is it advisable for the federal government to maintain gradual fiscal consolidation but, at the same time, also continue to increase revenue to protect social and development spending.
- How would this impact the trajectory of debt and social spending priorities?
- How would you go about raising productivity levels? Are more incentives needed?

12.30pm – 1.00pm **Special Address:**
Financing Infrastructure for Connectivity – Supporting Access and Inclusive Growth

Proposed Speaker
- **Hon. Dato' Ir Haji Amiruddin Hamzah (tbc)**
- Deputy Finance Minister, Malaysia

1.00pm – 2.00pm Lunch

2.10pm – 3.15pm **Panel 3: Malaysian Household Debts: Is it Sustainable?**

Households borrow to be able to spend more when their income is not high enough, and in anticipation of higher income later. This is positive for households' standards of living and for economic growth.

Still, when household debt increases too rapidly compared to economic growth or reaches very high levels, it represents a vulnerability, and it could have a negative impact on both households and the banking sector in the event of an unexpected economic shock. But risks associated with high private debt are reduced if households also possess sizable assets, which is the case in Malaysia.

- Malaysia's household debt to GDP ratio—at 84.6 percent for 2017—is high compared to similar countries. Why is this an important number to keep track of?
- What does it mean for economic growth prospects?
- What is the composition of household debts in Malaysia?
- What would be the challenges in restructuring the household debts?

3.15pm – 4.20pm **Panel 4: Mid-Term Review – Revisions on the New Economic Policy (NEP) & the New Economic Model (NEM)**

Following a change of Government on May 10 after the 14th General Election, the preparation of the 11MP mid-term review was realigned with new directions and aspirations of the Pakatan Harapan government.

This realignment is essential to ensure that new directions are taken into account in the planning and development strategies for the 2018-2020 period. It is also crucial to ensure the government's efforts actually benefit the people without the occurrence of leakages, malpractice, power abuse and others.

The NEP was introduced in 1970 with a two-pronged strategy to eradicate poverty and restructure society to correct economic imbalances while the NEM was announced by former Prime Minister Datuk Seri Najib Tun Razak in 2010, as the policy to raise the country's economic status from high middle income to high income.

- What are the institutional and structural; weaknesses that needs to be addressed?
- How does these weaknesses impact the country's competitiveness and productivity growth?

- The New Economic Model (NEM) has identified structural issues affecting economic foundation. Where are we on these recommendations, and what needs to be prioritized. Is it yet another plan, and if so, how best should that plan interface with the NEM.
- What are the productivity targets expected under the Eleventh Malaysia Plan (11MP) 2016–2020?
- What are the challenges and issues expected in raising productivity growth?
- How can the new government's go about ensuring sustainable economic growth and a fair distribution for all Malaysians based on needs?

4.20pm – 5.30pm **Panel 5: Improving the Labour Force –Participation of Women, Productivity & Wages**

The economy always benefits when production increases. Economic activity picks up when you put more inputs to work, particularly more labour. And an important and direct way to raise labour input is by encouraging more women to work. We saw that in Malaysia in recent years: between 2010 and 2016, female employment grew at an annual rate of about 4½ percent, more than tripling women's contribution to real GDP growth, relative to 2001-08.

Looking at it from another angle, if the female labour force participation rate had not changed since 2012, real GDP would have been about 1 percent lower in 2016 compared with what it actually was that year. But despite this progress, female labour force participation remains low, at just above 54 percent, both in absolute and relative terms (the male participation rate is about 80 percent).

- How can the government improve labour market policies, such as encouraging more women to enter the formal workforce, can help secure Malaysia's long-term growth prospects?
- How does this benefit the economy?
- What else need to be done to ensure the female labour force keeps increasing and contributes positively to the economy.
  President, the Institute for Democracy and Economic Affairs (IDEALS)

5.30pm End of Summit/ Refreshments

Notes:

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- Draft Programme