



Keynote Address: PRAXIS 2022

Yang Berhormat Dato' Sri Mustapa Mohamed

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Introduction

Bismillahirrahmanirrahim

Yang Berusaha En Herizal Hazri, Chief Executive of ISIS Malaysia,
Esteemed Board Members of ISIS Malaysia,
Excellencies,
Distinguished delegates of PRAXIS 2022,
Ladies and gentlemen,

Assalamualaikum warrahmatullahi wabarakatuh,
Good afternoon,

1. Firstly, let me congratulate the Institute of Strategic and International Studies (ISIS) Malaysia for organising its flagship PRAXIS conference and to the partners, Konrad-Adenauer-Stiftung, Employees Provident Fund, and Astro Awani.
2. It is a pleasure to be invited once again to deliver the keynote address and to open PRAXIS 2022. When I delivered the keynote last October, the country was still in the midst of opening up its social and economic sectors.

3. The theme of last year's PRAXIS was "Recovering Malaysia", which was aligned with the primary objective of the government to recover as quickly as possible from the effects of the pandemic.
4. Indeed we have fared better than others, but the setbacks to our socio-economic wellbeing cannot and should not be understated.
5. If last year was focused on recovery – this year is about looking beyond that, towards building a more resilient future. This year's theme, "Building a Better Malaysia", perfectly captures the government's focus on graduating the country to high income status by the end of 2025.

Global and Malaysian recovery

Ladies and gentlemen,

6. Globally, growth is expected to decelerate to 3.2% this year and 2.9% in 2023, partly due to geopolitical challenges and as governments gradually phase out their fiscal and monetary support.
7. As was the case during the pandemic, this slowdown will also be unequal in its impact. The IMF forecasts that growth in advanced economies will be 2.5% in 2022 and 1.4% in 2023. Meanwhile, growth in emerging and developing economies are only expected to be 3.9% in 2023.
8. What this means is that recovery will be uneven between advanced and emerging economies.

Ladies and gentlemen,

9. We transitioned to endemicity in April this year, following a very successful national vaccination programme, the fruits of which we are, alhamdulillah, now reaping. As you know, our economy grew 5% in Q1 and 8.9% in Q2 2022. That means in the first half of 2022, the economy grew by 6.9%.
10. Our labour market is also showing positive momentum. In July, the size of our labour force saw a continued uptick, with an increase of 3.3% year-on-year to 16.6 million. Furthermore, the unemployment rate has gone down to 3.7%, which is close to the rate pre-pandemic.
11. Malaysia remains an attractive destination for foreign investors. Our FDI reached RM 41.7 Billion in the first half of 2022. Compare this to the whole of 2021, where our FDI was only RM48.1 Billion.
12. In terms of trade, August 2022 represented the 19th consecutive month of double-digit growth, with exports rising 48.2% and imports increasing by 67.6% year-on-year. The total trade growth of 56.7% was primarily driven by gains in manufacturing, mining, and agriculture.

Challenges ahead

Ladies and gentlemen,

13. The path remains challenging, and all the gains so far have been hard fought. Nonetheless, we can allow ourselves some room for optimism as we are on track to full recovery.

14. But internal and external challenges continue to pose deep uncertainty. Let me highlight a number of key challenges and outline some of the government's strategies in navigating these challenges.

Inflation

15. Chief among those challenges is inflation. Make no mistake, we are not unique in this as all governments are grappling with the task of reining in rising costs across the board. The IMF forecasts that global inflation will reach 6.6% in advanced economies and 9.5% in emerging markets and developing economies this year. This is largely due to a trifecta (tri-fact-ah) of reasons: (1) supply disruptions; (2) higher energy and commodity prices; and (3) increased consumer demand amid economic reopening.
16. Against this backdrop, Malaysia's inflation at 4.7% in August is low by international standards. Overall, we are in a relatively better position compared with our regional peers and other economies where the prices of essential goods have spiralled.
17. Our relatively moderate inflation can be attributed to the government's decisive interventions, through the enforcement of price ceilings and the largest amount of subsidies in our history. Nonetheless, as an open economy, we cannot be fully insulated from global inflationary pressures and a rise in prices is inevitable.

Supply chain disruptions

Ladies and gentlemen,

18. The second challenge that we are facing concerns supply chain disruptions. As a country that has been synonymous with trade since the early kingdom of Malacca, any disruption to global trade will pose challenges to our economic outlook. Before the pandemic, the primary risk to supply chains had to do with the US-China trade war.
19. Over the past two years, the various policies implemented to reduce the spread of Covid-19 by governments worldwide meant long queues of ships waiting to unload their goods, containers left unattended, and much higher freight costs.
20. Some of these issues have been resolved today, but bottlenecks remain. For example, the war in Ukraine, manpower shortages in many parts of the world, and China's zero Covid policy add to the stress. Cargo vessels continue to arrive outside of their designated berthing windows, which poses challenges to our port operators. This, to me, highlights the fragility of global supply chains in the face of disruptions at the country level.
21. Compounding this, is the large number of products which incorporate components or materials that are either sophisticated or complicated to make. This means that substituting components or locating alternative sources is easier said than done.

22. But as with all challenges, there also lies opportunities.
23. The Malaysian Investment Development Authority (MIDA) has initiated the supply chain facilitation programme to assist both domestic and foreign companies to address global supply chain disruptions. This includes supporting companies in outsourcing their manufacturing activities to domestic companies, and promoting domestic investment while encouraging the adoption of automation and other fourth industrial revolution technologies.
24. My message here is that in wanting to build a better Malaysia, we must seek out these opportunities when and where they arise. As for the government, we continue to play an aggressive and facilitative role to help transform opportunities into real growth.

Digitalisation

25. The third challenge that we are facing in building a better Malaysia is not new – digitalisation. Attaining this is of utmost importance, as it goes without saying that the future is digital. On top of the promise of the potential of IR 4.0 technologies, I am sure none of you need reminding of the importance these digital services and solutions have played over the past two years.
26. Regardless, digital adoption rates have been unequal among our businesses. We have some companies adopting cutting edge digital technologies while others remain completely analogue. Explaining the low end of the spectrum is the continued lack of access to adequate infrastructure, concerns over cybersecurity, lack of awareness, gaps in digital skills, and financial constraints – particularly among the MSMEs.

27. Addressing this will be key to ensure that the promise and benefits of the digital economy are felt by all, and that we attain a digital economy that contributes 25.5% to GDP by 2025.
28. To that end, we introduced the Digital Economy Blueprint in February last year. This is an initiative which symbolises the aspirations of the government to transform the country into a digitally driven, high-income nation and a regional leader in the digital economy.

Environmental sustainability

Ladies and gentlemen,

29. All these challenges, while pressing, pale in comparison to the issue of climate change. Should business continue as usual, we risk living in a planet where the hot becomes hotter, the wet gets wetter and the cold gets colder.
30. We can feel for ourselves the consequences of a worsening climate. As of August, nearly 700,000 hectares in Europe have already been destroyed by fires. Pakistan has been, to borrow the words of the United Nations' secretary-general, hit by a "monsoon on steroids", leading to loss of lives in the thousands and impacting 33 million people. Meanwhile, the Arctic icecaps continue to melt, while ocean levels continue to rise in both levels and temperatures. Nearer to home, we have had our problems in Jerai, Baling, as well as the floods that hit Selangor late last year.

Plans for the future

Ladies and gentlemen,

31. Moving forward, we must continue to strive for a prosperous, inclusive, and sustainable Malaysia. To that end, it is important to strive for a better balance between the twin objectives of developing our country's economy and sustainability. The days where the environment comes second to development are long gone.

32. This is why the environment and environmental considerations featured prominently in the 12th Malaysia Plan. With one of the three themes dedicated to "advancing sustainability", all policies under the plan were structured to achieve sustainable growth, with a focus on equitable wealth distribution, the wellbeing of the rakyat and environmental sustainability.

33. I am personally pleased that here in Malaysia, the Economic Planning Unit is the focal point of sustainable development. As EPU is the principal government agency responsible for planning national development, it clearly highlights how economic growth and sustainability are not mutually exclusive. For your information, the Government has set up the SDG Centre in the EPU to strengthen and better coordinate the implementation of all 17 SDGs. This Centre will be fully operational in about two months.

34. We hope to see a nationwide shift to more sustainable economic practices and lifestyles that value this country's natural endowments

and environmental health. We will also promote green growth to allow us to move towards a low-carbon nation, while promoting a more sustainable use of natural resources.

Closing

35. These are but some of the challenges that must be surmounted to build a better Malaysia. While many of the solutions suggested and adopted by the Government may appear great on paper, the key is in the implementation and delivery. They are by no means easy, but I trust that with the collective wisdom of all Malaysians, we will be able to chart an equitable, meaningful, and sustainable way forward. Insha-Allah.
36. With that, bismillahirrahmanirrahim – In the name of God, the Most Gracious, the Most Merciful – I am pleased and honoured to declare PRAXIS 2022 open.
37. I wish all delegates a fruitful conference and I look forward to hearing your ideas on building a better Malaysia.

Wabillahitaufik walhidayah.

Wassalamualaikum warrahmatullahi wabarakatuh.

Thank you.