THE ECONOMIC ACTION COUNCIL (EAC)

RESETTING MALAYSIA:
ALIGNING TO THE NEW ECONOMIC LANDSCAPE

The Crisis And Policy Responses / Agenda For Resetting

First Copy 2021

PUBLISHED BY:
THE SECRETARIAT OF ECONOMIC ACTION COUNCIL
Economic Planning Unit, Prime Minister's Department
Setia Perdana 5 & 6, Kompleks Setia Perdana
Pusat Pentadbiran Kerajaan Persekutuan,
62502 PUTRAJAYA, MALAYSIA

Tel: 603-8000 8000
Fax: 603-8888 3755
Email: webmaster@epu.gov.my

Disclaimer

Please read this report findings disclaimer carefully before using the Resetting Malaysia: Aligning To The New Economic Landscape report from the Secretariat of Economic Action Council and supported by the subject matter experts following a series of intensive engagements and discussions with the various industries, agencies, chambers, ministries and institutions.

The information unveiled in this report acts as an advice to the Government of Malaysia. It is not intended to act as a substitute for the 12th Malaysia Plan. Should you decide to act upon any information on this report, you do so at your own risk.

While the information on this report has been verified to the best of our abilities, we cannot guarantee that there are no mistakes or errors. The information gathered in this report is a compilation of data and information obtained during the Covid-19 pandemic crisis from 1st quarter 2020 to 2nd quarter 2021.

The content displayed in this report is the intellectual property of the Secretariat of Economic Action Council. You may not reuse, republish, or reprint such content without our written consent.

We reserve the right to change this policy at any given time, of which you will be promptly updated. If you want to make sure that you are up to the date with the latest changes, we highly advise you to frequently update with the Secretariat of Economic Action Council for continuous updates and future changes to this report.

FOREWORD

MINISTER IN THE PRIME MINISTER'S DEPARTMENT (ECONOMY)

The Covid-19 pandemic was a wake-up call for Malaysia. The impact from this crisis led to unprecedented 'lockdowns' in many parts of the globe aimed at containing the virus. For a few months, global supply chains were disrupted. The lockdowns caused wide-scale retrenchment, a precipitous fall in incomes, and a collapse in global demand. Now however, there are growing signs of recovery.

That being said, the health crisis has revealed the complex and fragile nature of global value chains. Besides that, our social inequalities were exposed and even exacerbated by the sudden and uneven loss of employment and incomes.

Malaysia, being an open economy, was not left unscathed by the pandemic. The domestic economy contracted by 5.6 percent in 2020, our country's worst performance in terms of economic growth, since the 1997 Asian Financial Crisis.

As we move towards endemic status, it is my hope that all stakeholders — the government, businesses and society — work closely together to reset the Malaysian economy. This crisis is an opportunity for us to take a step back and reflect on how to build a more resilient, sustainable and inclusive economy.

Some of the weaknesses exposed by this crisis are certainly not new. It is imperative that the government take this opportunity to reform the economy and "build back better". In the context of building back better, there is a need to emphasize the new economic norms of digitalization, automation, and sustainability, and how they can help us position our economy on a stronger and more sustainable footing.

The 12th Malaysia Plan highlights the need to reform and do things differently. The themes of the plan, including "Resetting the Economy", "Strengthening Security, Wellbeing and Inclusivity", and "Advancing Sustainability" will be among the Government's overarching guiding principles going forward.

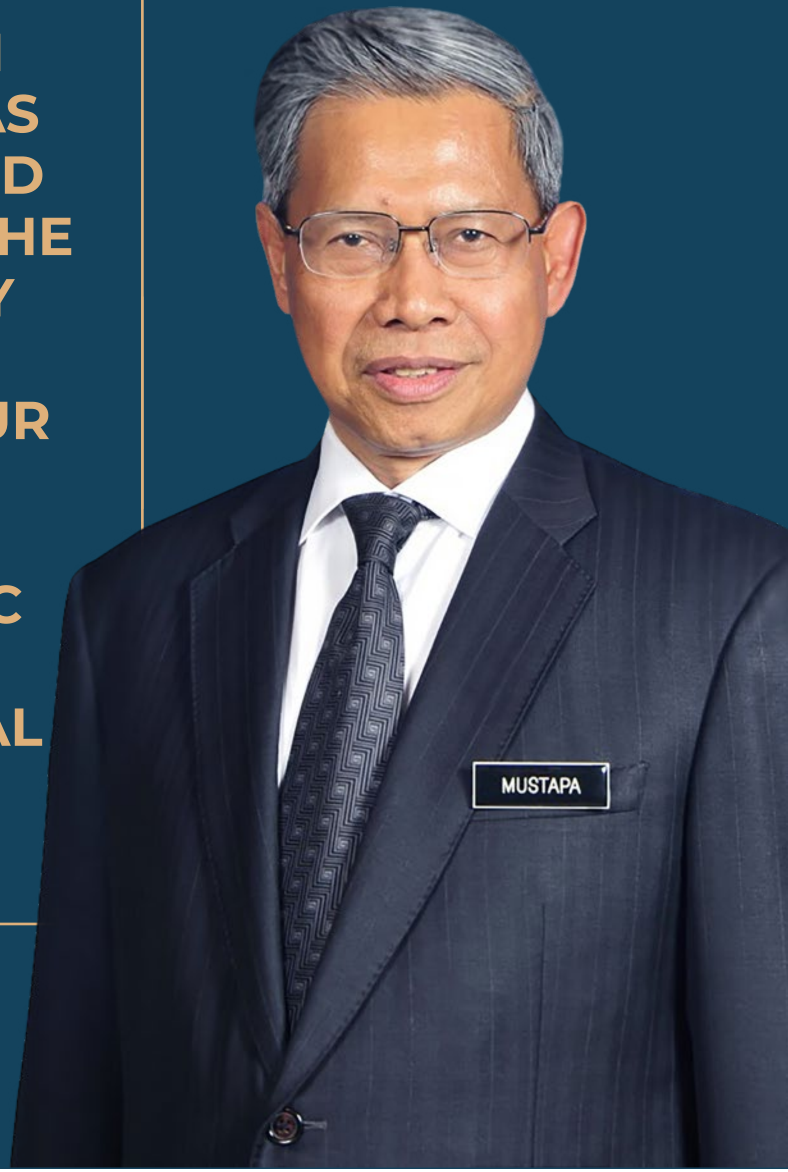
The policy choices designed by the Government will need to help the transition to a greener, more inclusive and more resilient tomorrow. This pandemic has opened the door for us to reform our economy and seize the opportunity to chart a path that empowers everyone to face the future with greater confidence.

As we emerge from this crisis, it is important that we learn from this experience and ensure that we are able to weather any future economic challenges. Let us now have the courage to push through bold and radical reforms to become a more resilient, sustainable, and inclusive nation.

This document is a valuable addition to the body of knowledge on strategies to realign the economy for Malaysia to achieve high-income status. I hope that this document, painstakingly put together by the Secretariat of the Economic Action Council, led by Prof Tan Sri Dr Noor Azlan bin Ghazali, will promote constructive discussion on our policies and strategies over the next five years.

"MALAYSIA, BEING AN OPEN ECONOMY, WAS NOT LEFT UNSCATHED BY THE PANDEMIC. THE DOMESTIC ECONOMY CONTRACTED BY 5.6 PERCENT IN 2020, OUR COUNTRY'S WORST PERFORMANCE IN TERMS OF ECONOMIC GROWTH, SINCE THE 1997 ASIAN FINANCIAL CRISIS."

YB Dato' Sri Mustapa Mohamed



PREFACE

THE EXECUTIVE DIRECTOR OF ECONOMIC ACTION COUNCIL SECRETARIAT

Worldwide spread of the Covid-19 pandemic has had a severe impact on both the global and Malaysia's economy. People all over the world including in Malaysia have come together and make a concerted effort to deal with this health triggered economic crisis. And there is a strong determination to overcome the current crisis and turn it into an opportunity to achieve future sustainable growth.

The Covid-19 pandemic has brought social and economic disruption worldwide. However, it has also provided governments with the opportunity to put economies on a more sustainable, resilient and inclusive growth path while addressing the underlying challenges.

This health crisis that resulted to unprecedented measures had a detrimental impact on our economy, with the 2020 economic growth plunge by 5.6 percent, the worst since the 1997 Asian Financial Crisis. And the drag on our economy was further amplified with structural issues that has been lingering over the years. It has resulted to the country lag behind its counterparts with similar characteristics. Malaysia is number 25 by the IMD World Competitiveness Ranking 2021 and number 8 in Asia Pacific & ASEAN Region Competitiveness Ranking.

While the Covid-19 pandemic has been detrimental to the economy, it has also provided an opportunity for Malaysia to address some of these issues and implement bold changes and radical reforms on many areas.

The "Reset Policy", which is a semi-official document was framed during this Covid pandemic following the establishment of the Economic Action Council (EAC) in March 2020. Focus of this policy is to address the number of structural issues with the aim to maintain our position as globally competitive economy and steer the domestic economy towards a more sustainable and resilient growth with emphasis on inclusiveness in order to withstand future headwinds with less severity.

In preparing this document, the EAC Secretariate had carried out intense engagement of more to 400 over the period from March 2020 to July 2021 between the EAC Secretariate with various agencies, statutory bodies, industries, retailers, associations, NGOs, academicians, MNCs, Mid-Tiers, SMEs, professional bodies, chambers of commerce and many others.

Besides, strategic workshops were carried out between July and August 2020. The workshops focused on the reset agendas —Preparing Future Workforce, Digital Economy, New Global Arrangement, Regulations and Market Reform, Public Institution and Governance, Post – Modernisation and New Socio Culture, Advanced Technology and Complexity, Distributed Growth and Sustainability and Corporate recovery and reform.

Through these engagements and workshops, this document highlighted the current issues faced by our economy owing to the Covid pandemic and also the medium-and long-term implications arising from this pandemic and those even before the pandemic. Policy recommendations were formulate following a number of discussions and validations with the various stakeholders, both the public and private. It is to ensure this report is comprehensive and conclusive, aligning towards the Prime Minister's vision in cultivating the spirit of 'Keluarga Malaysia'.

The metrics of this "Reset Policy" document has been designed into two salient narratives i.e., "landscapes" and "enablers". Under the " four landscape" metrics, the emphasis is on digitalisation, automation, changing of the global arrangement and sustainability. And to support the landscape, there are "four enablers" —workforce, the government on public deliveries, emergence of a new sector that is the 3rd sector and corporate sector recovery and reforms.

To enable the implementation of "Reset Policy" to achieve the desired objectives, seamless cooperation and coordination amongst various stakeholders need to continue with a national approach to ensure no one is left behind.

The EAC Secretariate under the Economic Planning Unit, Prime Minister's Department is appreciative and thankful to all participating stakeholders and expert group on their accorded effort and commitments in producing the through and comprehensive "Reset Policy" which is of importance for the country.

**Prof. Tan Sri Dato' Seri Dr.
Noor Azlan Ghazali**

Table of
CONTENTS

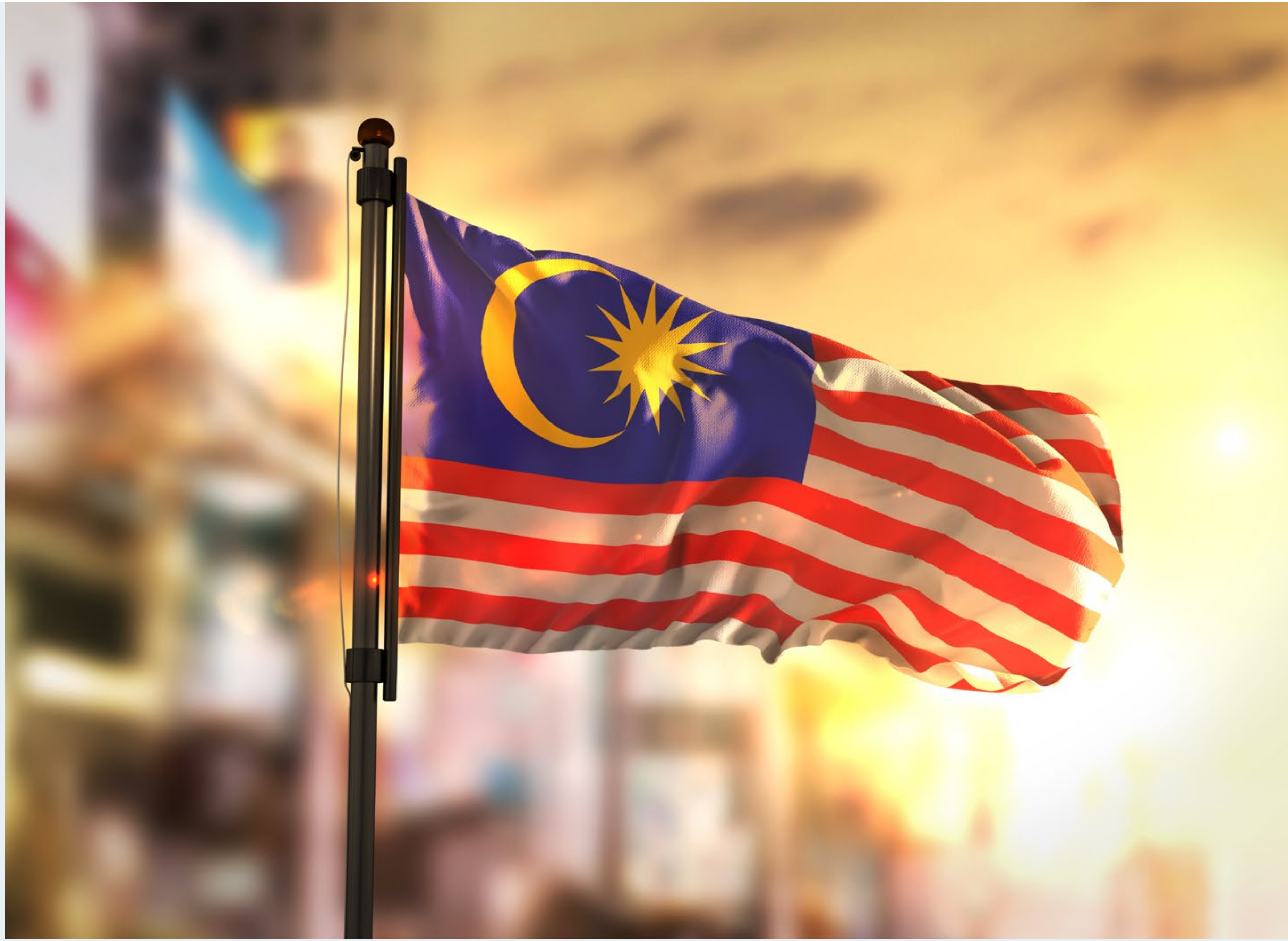
EXECUTIVE SUMMARY

The Covid-19 pandemic has created headwinds, with the economic and social deterioration being accompanied by an exacerbation of structural weakness. Severity of this pandemic on both the economic and social depends on the severity and impact of the unfolding crisis: vaccine rollout, effectiveness of the vaccine in relations to the new variants, stimulus measures, domestic stability, external environment and the pre-crisis social and economic conditions.

It is important to understand the way business and enterprises, jobs, investment, money and human nature are expected to change under the 'new normal'. Malaysia must face and understand the 'new normal' from this pandemic that has expedited the narrative on the advancement of structural reforms.

A new dashboard of metrics, based on the "Reset Policy" that encompasses the benefits as well as the gaps and structural weakness arising from this pandemic, is imperative. This policy, which is a subset of the 12th Malaysia Plan and Shared Prosperity Vision 2030, will be based on reset landscapes and enablers.

The four reset landscapes are digitalisation, automation, changing global landscape, and sustainability, while the four enablers are people that focus on workforce, the government on public deliveries and competitive market, emergence of a new sector that is the 3rd sector, and corporate recovery and reforms.



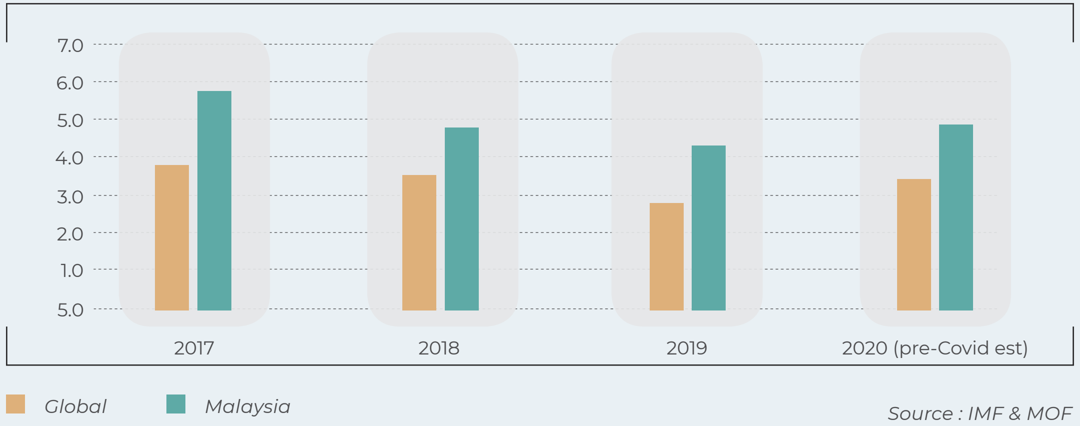
Malaysia: A Much Needed Economic Resetting

- Moderate Outlook Prior to Covid-19
- Covid-19 has made all predictions for 2020 ‘null & void’
- Recovery in 2021 depends upon how the uncertainties are managed
- No recovery without resetting

Following a slowdown in 2019, the initial global economic outlook suggested the world economy would gain momentum in 2020. Global Gross Domestic Product (GDP) is projected to grow by 3.4 percent from 3.0 percent in 2019.

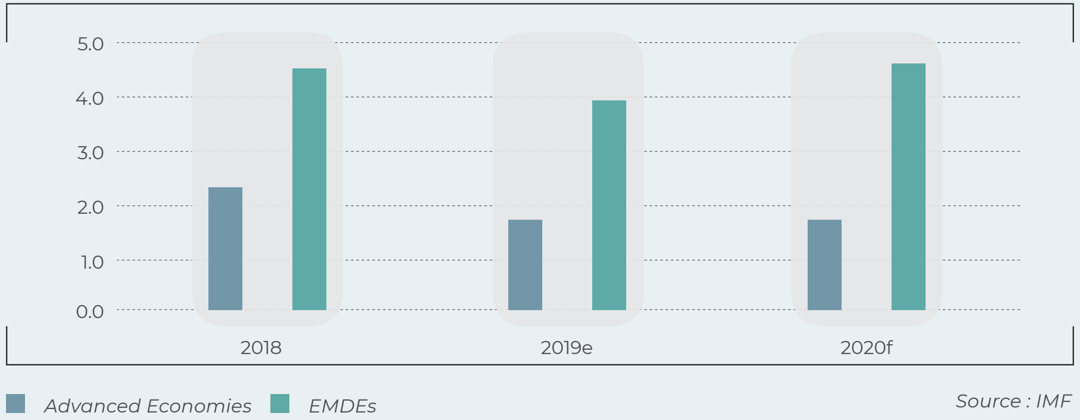
(See Chart 1) Improved economic performance in several emerging markets and developing countries would compensate for the softer outlook of advanced economies in 2020. (See Chart 2)

Chart 1: Global and Malaysia GDP Pre-Covid-19 (%)



Source : IMF & MOF

Chart 2: Advanced Economies & EMDEs Pre-Covid-19 (%)



Source : IMF

Malaysia, being an open economy, is poised to remain resilient. In 2020, private consumption would continue to spearhead growth supported by an accommodativemonetary policy, fiscal measures, improving business sentiment, a healthy labour market, moderate wage growth and positive consumer confidence.

The resumption of strategic projects, manufacturing activities, high value-added investments, FDI disbursement, capital spending and solid financial institution would deliver the positive catalysts for investment. Acceleration of projects towards the tail
end of the 11th Malaysia Plan, public corporations' capital spending, government's development expenditure and commitment to institutional reforms will also providethe uplift to investment.

And expectations are for all the major economic sectors to perform well in 2020. Services will play a key role in driving the overall economic activities. Revival of megaprojects, civil engineering works and building of affordable homes will support construction and infrastructure activities. Healthy demand for exports and domesticoriented products will drive the overall manufacturing activities.

Firm crude palm oil prices, higher palm oil production, tight rubber supply and healthy demand for livestock from abroad and domestic markets are the major drivers for agriculture. Global economic and trade outlook, domestic demand, geopolitical upheaval, trade tension and maintenance works would affect mining.
A series of factors are expected to influence trade in 2020. Amongst them are a healthier environment in the emerging market, the cooling trade war between the USand China following the Phase 1 trade deal, easing of Brexit tension, an uptick in global semiconductor sales, stable commodity prices, absence of nasty surprises that will implode global markets, and a more contained geopolitical tension.

While a moderate global GDP outlook is projected for 2020, downside risk remains. Vulnerabilities to external shocks are high – trade disputes, geopolitical tensions, electronics slowdown, political risks in certain countries, policy shocks and volatility in the financial and commodity markets.

Besides, domestic challenges are also headwinds to 2020's growth trajectory. Nonetheless, the initial GDP outlook for Malaysia in 2020 is 4.8 percent, following a 4.3 percent growth in 2019.

Covid-19 has made all predictions for 2020 'null & void'

Avoid a negative GDP growth in first quarter

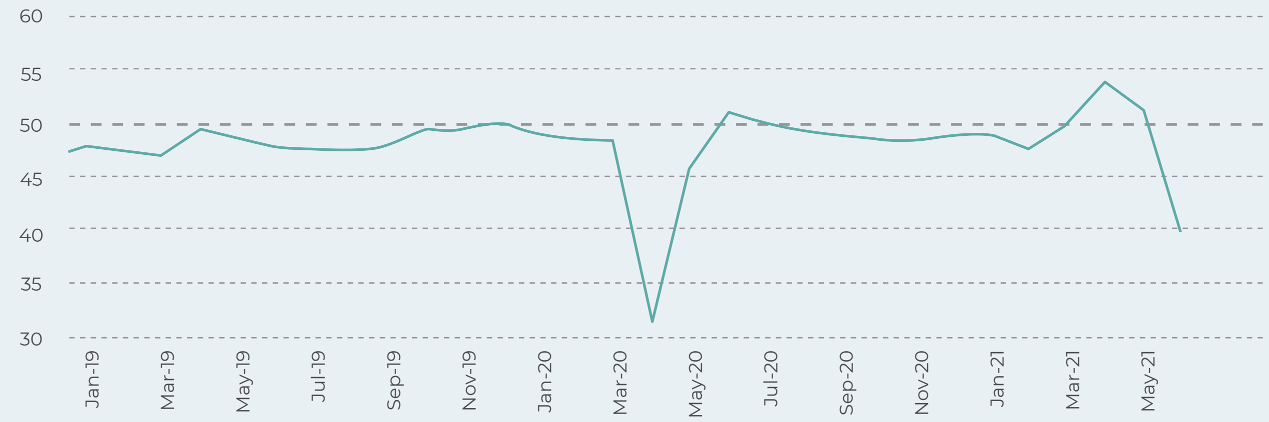
Following the first two months of 2020 with a steady economic expansion, the domestic economy experienced a sharp downshift in the month of March. It came about after World Health Organisation (WHO) declared the coronavirus (Covid-19) as a pandemic on 11 March 2020.

Following the declaration of Covid-19 as a pandemic, the impact on global as well as domestic economy turned severe. Downwards pressure on growth was inflicted from the unprecedented measures i.e. lockdowns and movement control order (MCO) taken by the governments around the world to contain the virus spread.

As a result of the unprecedented restrictive measure – nationwide MCO between 18 – 31 March 2020, it simultaneously inflicted both supply and demand severely.Business operations had to shut down or operate partially with stay-at-home mandates and restricted travels. Supply chain was disrupted. Demand collapsed.

Manufacturing, services, and trade fell into recession almost simultaneously. Unemployment spiked. For instance, the manufacturing Purchasing Managers Index(PMI) eased to 48.4 in March from 48.8 in January. A reading below 50 reflects contraction and above 50 as expansion. (See Chart 3)

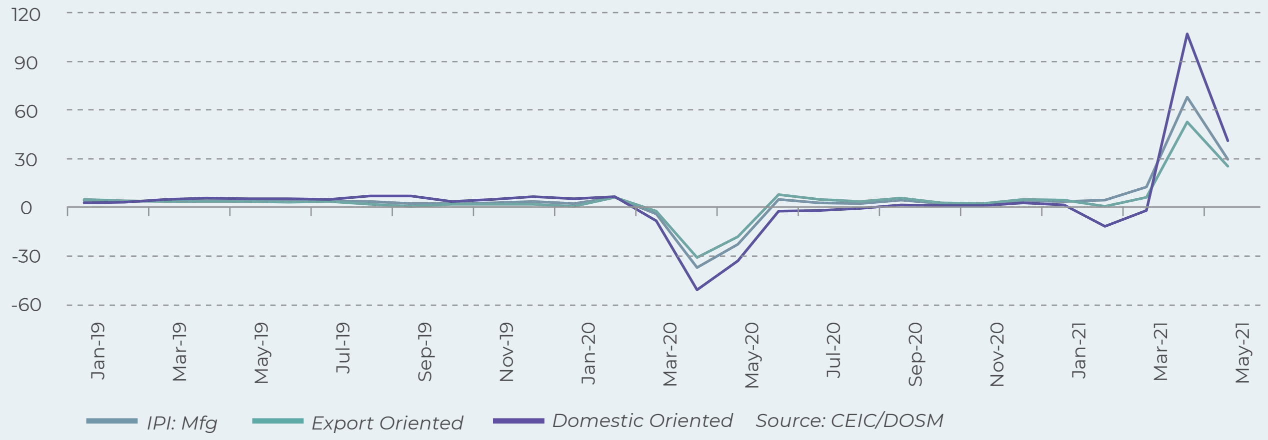
Chart 3: Manufacturing Purchasing Managers Index



Source : IMF

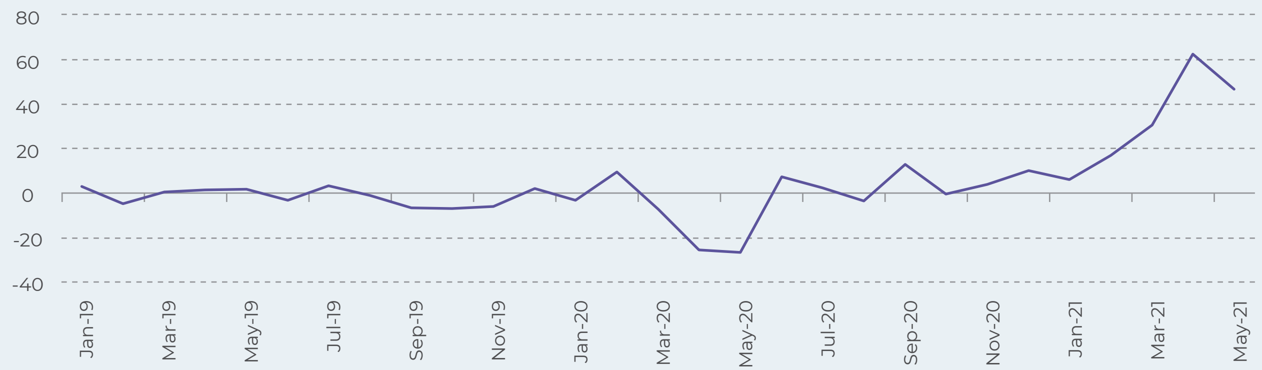
Manufacturing production averaged at 4.2 percent for the first two months of 2020 but fell by 4.1 percent in March from the lockdown and MCO impact. It was reflected by the poor output from export-oriented as well as domestic-oriented industries, where their activities shrank by 2.2 percent and 8.3 percent respectively. (See Chart 4)

Chart 4: Manufacturing Production (annual change %)



At the same time, impacted by the restrictive measures to contain the virus spread which took a strong hit on global trade and growth, our domestic exports plunged by 6.4 percent in March. This follows an average growth of 3.9 percent for the first two months of 2020. (See Chart 5)

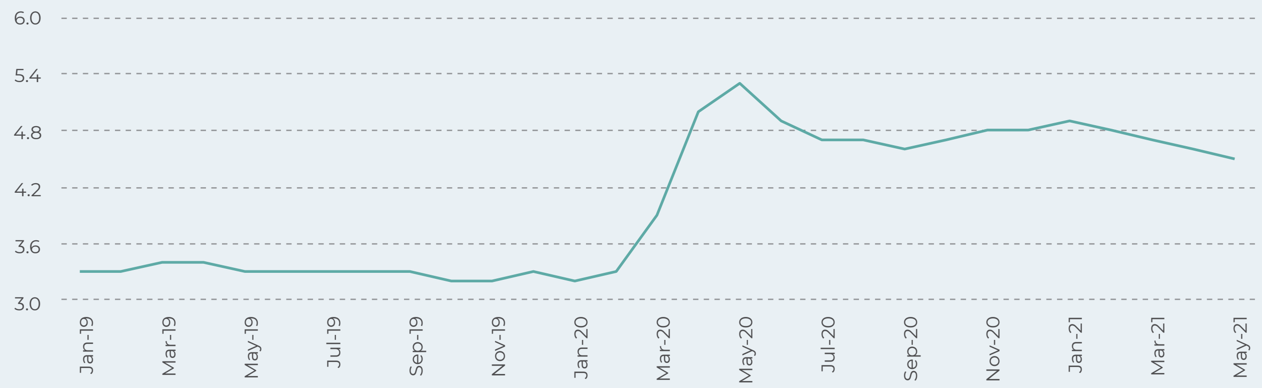
Chart 5: Exports (annual change %)



Source: CEIC/DOSM

And the labour market was not left unscratched. As a result of the weakening economic performance reflected by the hard and soft economic data, it took a toll on the job market. Unemployment rate spiked to 3.9 percent in March from a low of 3.2 percent in January. (See 6)

Chart 6: Unemployment (%)



Source: CEIC/DOSM

Crisis-recovery measures were introduced end March 2020

To stave off an economic collapse, Malaysia like many other countries across the globe introduced crisis-recovery measures. (See Table 1) On 27 March 2020, the government announced the “PRIHATIN” stimulus measure that amounted to RM250 billion which is made up of fiscal, monetary, and non-monetary measures that focus on lives, livelihood, and businesses.

Table 1: Crisis-Recovery Stimulus Measures

Date	Stimulus Package	Total		Direct Fiscal Injection	
		RM'bil	% of 2020 GDP	RM'bil	% of 2020 GDP
27-Mar-20	PRIHATIN	250	18	25	2
08-Apr-20	5.PRIHATIN SMEs	10	1	10	1
05-Jun-20	PENJANA	35	3	10	1
23-Sep-20	KITA PRIHATIN	10	1	10	1
18-Jan-21	PERMAI	15	1	2	0
17-Mar-21	PERMERKASA	20	1	11	1
31-May-21	PERMERKASA +	40	3	5	0
28-Jun-21	PEMULIH	150	10	10	1
	Total	530	37	83	6

Source: MOF

Supported by the early stimulus measures combined with external trade, the domestic economy grew by 0.7 percent during the first quarter of 2020. On the supply side, both the services and manufacturing sectors moderated while the other sectors contracted. The expenditure side showed moderation in domestic demand with net exports contracted sharply. (See Table 2 & 3)

Table 2: GDP By Sector (annual change %)

	1Q2020	2Q2020	3Q2020	4Q2020	1Q2021
GDP	0.7	-17.1	-2.6	-3.4	-0.5
Agriculture	-8.6	0.9	-0.3	-1.0	0.4
Mining & Quarrying	-2.9	-20.8	-7.8	-10.4	-5.0
Manufacturing	1.4	-18.3	3.3	3.0	6.6
Construction	-7.9	-44.5	-12.4	-13.9	-10.4
Services	3.1	-16.2	-4.0	-4.8	-2.3
Import Duties	-15.9	-20.3	0.1	13.4	19.1

Source: DOSM

Table 3: GDP By Expenditure (annual change %)

	1Q2020	2Q2020	3Q2020	4Q2020	1Q2021
GDP	0.7	-17.1	-2.6	-3.4	-0.5
Domestic Demand	3.7	-18.8	-3.3	-4.5	-1.0
Private Consumption	6.7	-18.5	-2.1	-3.5	-1.5
Public Consumption	4.9	2.2	6.8	2.4	5.9
GFCF	-4.5	-29.0	-11.4	-11.8	-3.3
Private Investment	-1.2	-26.1	-10.8	-6.6	1.3
Public Investment	-14.4	-40.1	-13.1	-20.4	-18.6
Net Exports	-36.8	-37.9	19.2	10.0	0.8
Exports	-7.2	-21.7	-4.9	-2.1	11.9
Imports	-2.7	-19.7	-7.9	-3.3	13.0

Source: DOSM

Restrictive measures took a strong toll in April and collapsed second quarter GDP

The second quarter of 2020 was severely inflicted from the lockdown and MCO across the globe including Malaysia. Forced closures of businesses by government order, businesses operating at limited capacity, and consumers avoiding activities due to fear of falling ill all pointed towards a sharp decline in the economic activity in second quarter, especially in April where major economic data took a severe blow.

For instance, the Malaysia's manufacturing PMI collapsed to 31.3 in April from 48.4 in March, the lowest reading since the survey started in 2012. And manufacturing production dived by 37.2 percent from a contraction of 4.1 percent in March, dragged by the sharp plunge in both export oriented and domestic oriented activities by 31 percent and 50.9 percent respectively.

Exports plunged by 24.9 percent in April from a 6.5 percent drop in March. Meanwhile the labour market was severely punished with the unemployment rate spiked to 5.0 percent in April from 3.9 percent in March.

For instance, the Malaysia's manufacturing PMI collapsed to 31.3 in April from 48.4 in March, the lowest reading since the survey started in 2012.

penjana

Pelan Jana Semula Ekonomi Negara

The severity impact on the lives, livelihood, and business from this pandemic led to two more additional stimulus measures unveiled besides the 27 March 2020 Prihatin package of RM250 billion. On 8 April 2020, "PRIHATIN SME" stimulus measure worth RM10 billion to support the small and medium enterprises (SMEs) and on 5 June 2020 the "PENJANA" stimulus package of RM35 billion was unveiled.

Supported by the stimulus measures and the easing of restrictive measures, both the hard and soft data started to improve from May 2020. Manufacturing PMI picked up from 31.3 in April and reached 51.0 in June.

Manufacturing output fell at a slower pace by 9.0 percent on average between May and June against a 37.2 percent contraction in April supported by slower contraction from the export-oriented output (-5.2 percent average between May and June) and domestic -oriented activities (-17.7 percent average between May and June) respectively.

Exports fell at a slower rate by 8.9 percent on average between May and June after having plunged by 24.9 percent in April. And the labour market that was severely punished with the unemployment rate spiked to 5.0 percent in April eased to slightly to 4.9 percent in June. Despite the economic data started to improve from May onwards, they were still in the May and June average negative growth trajectory. However, the data presented a smaller contraction compared to the month of April and was inadequate to prevent the overall GDP to register a negative growth.

With an estimated revenue loss during MCO 1.0 of around RM2.4 billion, the overall GDP during this quarter plunged by 17.1 percent - worst since the 1997 Asian Financial Crisis (AFC) with a 11.2 percent shrinkage in the fourth quarter of 1998 economicgrowth. Sharp contraction was witnessed from all the economic sectors on the supply side. On the expenditure side, private consumption, and investment (private and public) plunged while public consumption grew.

Recovery since April improved third quarter GDP

Many countries endured their worst second quarter contraction including Malaysia due to the near-universal nature of the pandemic where no corner of the globe came through unscathed. But the domestic economic growth momentum continued to improve in the third quarter of 2020.

Supported by the stimulus measures that amounted to RM295 billion unveiled in first two quarters of 2020 plus another RM10 billion rolled out on 23 September 2020 under “KITA PRIHATIN”, added with the reopening of the economy following MCO and lockdown, improved confidence and better external demand conditions saw the economy stabilise. Both the hard and soft data improved further during the quarter. For instance, the manufacturing PMI reached 49.0 in September from a low of 31.3 in April. Manufacturing production grew by 2.9 percent in third quarter supported by export oriented (3.7 percent) and domestic oriented (1.1 percent) activities respectively. Exports surged by 6.2 percent during the quarter while the labour market saw unemployment rate improved to 4.6 percent in September.

KitaPrihatin

Kerangka Inisiatif Tambahan Pakej Rangsangan Ekonomi Prihatin Rakyat

Hence, the economy during the quarter fell at a slower pace by 2.7 percent after a sharp contraction of 17.1 percent in previous quarter. On the supply side, the economic activity improved across most sectors, while on the expenditure side, although domestic demand reduced at a slower pace, net exports rebounded.

Resurgence of Covid cases weakened fourth quarter GDP

Between October and December of 2020, the country experienced a rise in Covid cases. As a result, much of the country came under renewed restrictions, including travel curbs especially on inter-district and inter-state travel. Resulting from the restrictive measures to deal with the third wave of Covid infection, it weighed on the economic recovery momentum since the reopening of the economy took place sometime in December.

Nevertheless, the continued improvement in external demand provided support to growth. Also, the RM305 billion stimulus packages aided the economy. That helped put a lid on the performance of manufacturing as reflected by the PMI which averaged at 48.5 for the first two months of fourth quarter and improved to 49.1 in December, although it is still below the “50” level that demarcates between expansion and contraction.

Manufacturing output grew at a slower pace by 2.2 percent on average for the first two months of fourth quarter. It was primarily supported by export-led activities which grew on average by 2.8 percent compensating for the 0.6 percent contraction in domestic-oriented activities. However, the manufacturing output momentum picked up in December reflected by stronger export-led and domestic-led activities, grew by 4.7 percent and 3.0 percent respectively. Exports moderated for the first two months of fourth quarter. It grew at a slower rate by 2.6 percent but surged by 10.7 percent in December. However, the labour market was punished with the rise in unemployment rate to 4.8 percent in December from 4.6 percent in September.

Hence, the fourth quarter GDP registered a contraction of 3.4 percent compared to a decline of 2.7 percent in the previous quarter, as the recovery of the economy was impacted by the tightening of movement restrictions. Consequently, except for manufacturing, all other economic sectors continued to record negative growth. On the expenditure side, moderating private consumption and public investmentactivities weighed on domestic demand.

The worst growth since 1997 AFC

This brings the full-year GDP performance to a contraction of 5.6 percent, the biggest decline since 7.4 percent in1997 AFC. The contraction is far more severe than the official projection of 3.5 percent to 5.5 percent for 2020. (See Table 4 & 5)

Table 4: GDP By Sector Pre-Covid-19 (%)

	2018 (A)	2019 (A)	2020 (A)
GDP	4.7	4.3	-5.6
Services	6.8	6.1	-5.5
Manufacturing	5.0	3.8	-2.6
Mining	-2.6	-2.0	-10.0
Agriculture	0.1	2.0	-2.2
Construction	4.2	0.1	-19.4

Source: MOF & DOSM

Table 5: GDP By Expenditure Pre-Covid-19 (%)

	2018 (A)	2019 (A)	2020 (A)
Domestic Demand	5.5	4.3	-5.7
Private Consumption	8.0	7.6	-4.3
Public Consumption	3.3	2.0	4.1
Gross Fixed Capital Formation	1.4	-2.1	-14.5
Private Investment	4.3	1.6	-11.9
Public Investment	-5.0	-10.8	-21.4
Net External Demand	11.4	9.7	-12.3
Exports of Goods & Services	2.2	-1.3	-8.8
Imports of Goods & Services	1.3	-2.5	-8.3
Chg in Inventories (RM'bil)	-14.3	-14.6	-5.2

Source: MOF & DOSM

Pandemic affected Brent oil price, but it rebound quickly

The year 2020 began on a challenging note despite projecting a moderate economic outlook. It started with the US and Iran tension following a US air strike in Iraq that targeted and killed the top Iranian general Qassem Soleimani. In retaliation, Iran fired missile on two Iraqi bases that housed US forces.

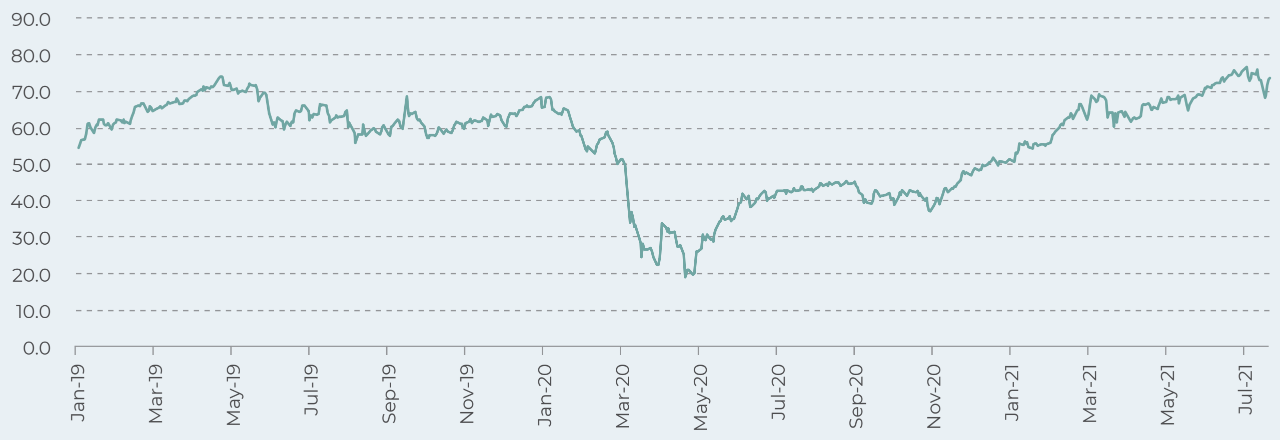
But this tension was relatively brief as global markets shrugged it off. Brent crude oil price, which started the year at US$66.25 per barrel, briefly spiked to an intra-day high of US$71.75 per barrel. It retraced and hovered between a high of US$68.91 and a low of US$58.16 per barrel in January.

And the real challenge to the global economy including Malaysia was the Covid-19 virus which was declared as a pandemic on 11 March 2020 by World Health Organisation (WHO). The impact from this pandemic saw governments around the world including Malaysia to introduced unprecedented measures such as lockdowns and movement control orders (MCO) to contain the virus spread. It severely inflicted both the supply and demand as well as the job market almost instantaneously.

Business operations due to the restrictive measures of shut down or being allowed to operate partially with stay-at-home mandates and restricted travels that were enforced strictly led to a major disruption to the supply chain. It also collapsed demand and spiked job losses. All the economic activities fell into recession.

Oil prices took a big hit. The ongoing coronavirus pandemic has had a catastrophic impact on the global oil and gas industry. Declining consumer demand and high levels of production output are threatening to exceed oil storage capacities, which resulted in the lowest ever oil prices noted. On 20 April 2020, the price of West Texas Intermediate crude oil slumped into negative for the first time in history, collapsed to negative 37.63 U.S. dollars per barrel. And Brent oil touched a low of USD 19.33 per barrel on 21 April 2020. (See Chart 7)

Chart 7: Brent Crude Oil (US$ per barrel)



Source: CEIC

Combined with the Covid pandemic and a month long of oil price war between SaudiArabia and Russia that started on 8 March 2020 over the oil output reduction finally came to a settlement with an agreement to reduce output by 9.7 million barrels perday from 1 May 2020 for two months – the single largest cut in history. And from 1 July until 31 December 2020, oil output would be limited to 7.7 million barrels per day.

Added with a gradual ease of the restrictive measures that was imposed to contain the pandemic virus spread plus the growing development of vaccines to address the Covid-19 virus boosted confidence of a global recovery which implies a pick-up in oil demand. Hence, oil prices began to gain momentum from their April's low. Further supported by OPEC and its partners on 3 December 2020 for a voluntary decision to cut oil production by 0.5 million barrels per day from 7.7 million to 7.2 million barrels per day with effect from January 2021 provided an additional lift. For the full year of 2020, Brent oil price settled at an average of US$43.20 per barrel.

Global Markets recovered from the Covid-19 pande

On the same tone as oil price, the US-Iran tension failed to have any major impact on the global equity markets. In fact, the global equity markets shrugged off this tension. Instead, the impact from the Covid-19 pandemic took a strong hit on the overall performance of the global equity markets.

The impact was severe when Covid-19 was declared as a pandemic on 11 March 2020 accompanied with the imposition of unprecedented measures that had never been done before. It raised concern that the global economy will most likely emulate 1930s type of a Great Depression following the collapse of both the supply and demand almost simultaneously. Such worry resulted to a significant drop in the MSCI All-Country World Equity Index. It shed 186 points to reach a low of 397 on 20 March. On the local bourse, Malaysia KLCI index lost 371 points to reach a low of 1,220 on 19 March. (See Chart 8)

Chart 8: KLCI & MSCI Asia ex-Japan Daily Performance

Source: Bloomberg

However, the global equities markets including our local KLCI regained momentum despite the number of Covid-19 cases was still on the rise. Expectations was that the global economy would not fall into the 1930's type of depression. Such positive sentiments emerged following the support from the huge stimulus programmes that fuelled ample liquidity and kept interest rates at low levels, gradual easing of the restrictive measures, and vaccine breakthroughs.

As a result, the MSCI All-Country World Equity Index gained momentum and reached 646 points, a gain of 249 points while the KLCI settled at 1,629, up 409 points from their year lows in 2020. There was saw significant participation from the retail players in the local bourse. (See Table 6)

Table 6: Market Transaction by Type of Investors (RM'bil)

Years	Local Institution	Local Retail	Foreign
2017	-9.0	-1.3	10.3
2018	7.7	4.0	-11.7
2019	8.3	2.5	-11.1
2020	8.2	14.3	-24.6
2021 (YTD)	-5.0	8.7	-3.8

Source: The Sun/CEIC; Note: YTD as of 23 July

MYR eventually settled at 4.020 end-2020

The Malaysian ringgit (MYR) experienced a roller-coaster ride against the USD in 2020. The local currency started the year at 4.089 levels against the USD and appreciated to 4.055 by mid-January largely supported by the higher crude oil prices.

However, the MYR lost steam following the outbreak of the Covid-19 pandemic. It was due to tighter dollar liquidity from the panic selling in global risky assets. Also, the MYR was weakened by oil prices which also plunged, impacted from this pandemic. The MYR fell to 4.447 on 23 March 2020 against the USD. (See Chart 9)

Chart 9: Malaysian Ringgit versus US Dollar

Source: CEIC

Nonetheless, the local currency gained momentum. Stimulus measures unveiled by governments around the world, easing of restrictive measures, the US Federal Reserve's move to boost dollar liquidity and the swap line provided to the global central bank, stable crude oil prices, a faster-than-expected recovery of the global economy and a weaker dollar saw the MYR appreciate and settled at 4.020 end-2020.

Recovery in 2021 depends upon how the uncertainties are managed

The path forward into 2021 remains beset with massive uncertainty. Both the global and the local economy still faces risks. The pandemic continues to follow an uncertain trajectory. In several key countries around the world including Malaysia, the number of cases are trending up again. The outbreak could further require additional (at least partial) shutdowns of certain economies and potentially cause consumers to again opt out of certain activities. It could affect our exports.

And Malaysia's pace of economic recovery depends upon how the uncertainties relating to the management of Covid-19 cases. It will also be influenced by the speed of vaccination in achieving the herd mentality and addressing the domestic challenges. It also depends on the amount of space to extend the fiscal, monetary, and nonmonetary stimulus measures given the fragility of the economic recovery process and the need to continue mitigating the negative social, productive and economic effects of the pandemic. The major challenges facing fiscal policy are to generate financing to maintain public spending amid the pandemic and strengthen the sustainability of expansionary fiscal policy. Both the challenges necessitate rethinking the orientation of public spending and revenue policies due to limited fiscal space.

MCO 2.0 did not hurt the economic growth in first quarter

With uncertainties still high, there is more downside risk to the economic growth in 2021. This is evident with the re-imposition of containment measures (MCO 2.0) in January and was extended into February 2021. It blunts the domestic economic recovery although the impact on growth was less severe compared to MCO 1.0 as almost all economic sectors were allowed to operate. Besides, the economy benefitted from improved global demand, higher public, and private sector expenditure and from the continued policy support. Hence, the manufacturing PMI following the imposition of MCO 2.0 averaged at 48.3 between January and February of 2021, while manufacturing outgrew at 4.0 percent average following slower export-oriented industries, grew by 2.5 percent with a collapse in domestic-oriented activities by 5.2 percent.

Relaxation of MCO 2.0, roll out of the vaccination, healthy external demand, firm commodity prices, impact from the stimulus measures unveiled in 2020 which amounted to RM305 billion and supported by additional stimulus measures such as PERMAI on 18 January 2021 worth RM15 billion and PERMERKASA on 17 March 2021 which amounted to RM20 billion which now brings the total package to RM340 billion lifted the hard data in March.

For instance, the manufacturing PMI in March picked up to reach 49.9, close to the "50" mark threshold of expansion and contraction. Likewise, manufacturing output grew by 9.3 percent with a 6.4 percent gain from export-oriented activities and a smaller contraction of 1.8 percent from domestic-oriented activities.

Exports grew at a healthy pace during the quarter by 18.2 percent from steady global demand, firm commodity prices and low base. Labour market improved slightly with unemployment rate eased to 4.8 percent in March from 4.9 percent in January.

Unlike the first MCO, which ran from March 18 to May 3, 2020, and resulted to a loss of about RM2.4 billion daily, during MCO 2.0 from Jan 13 to Feb 18,

2021, the estimated cost to the country is around RM300 million to RM400 million a day.

Hence, the economy in first quarter was able to report a smaller decline of 0.5 percent (4Q 2020: -3.4 percent). All economic sectors reported an improvement with the expenditure side driven by private sector expenditure and strong exports.

> The estimated cost to the country is around RM300 million to RM400 million a day.

A challenging second quarter

Economic performance during this quarter is poised to be challenging. Rise in Covid cases despite a rise in vaccination resulted to a nationwide lockdown for more than two months. With tighter standard operation procedures (SOPs) being enforced under the MCO 3.0 it is expected to weigh on the domestic economic performance.

However, the economy will be supported by exports, continued policy measures worth RM340 billion added with new stimulus packages i.e PERMERKASA + worth RM40 billion which was announced on 31 May 2021 and PEMULIH which amounted to RM150 billion that was unveiled on 28 June 2021 which brings a total stimulus package of RM530 billion, on-going domestic activities, higher number of vaccination rate and in particular the low base will help avoid the economy dip into a negative growth during the quarter.

With near-term growth in 2021 to be affected by the re-introduction of stricter containment measures that is MCO 3.0 nationwide, still the overall economic growth for 2021 is unlikely to fall into a "double-dip" recession. Continued healthy external demand, stimulus package supporting public and private sector expenditure, and vaccine roll-out will be the main drivers.

However, the path forward remains beset with massive uncertainty. The pandemic continues to follow an uncertain trajectory despite the speed of vaccination has gained momentum. That could require additional (at least partial) shutdowns and potentially cause consumers to again opt out of certain activities. With the pace of recovery clearly slowed, much will now depend upon how the uncertainties will unfold. Possibilities for the economic growth to decelerate in the coming quarters remains.

No recovery without resetting

The Covid-19 crisis is not the same as that of the 1997 AFC and 2008 GFC. A health crisis that is accompanied with unprecedented measures to contain the virus spread impacted lives and livelihoods as well as businesses. Such measures put the economy out of action almost immediately and completely.

Social distancing and business and service closures or operating below full capacity due to the restrictive measures led to wide-ranging impacts on both supply and demand. Consumption, production, income, and jobs all plunged.

Individuals and businesses with low financial buffers experienced immediate cash flow constraints from earnings that plunged. Global supply chain was disrupted and hurt the domestic transmission via vertical linkages. All the predictions made prior to this pandemic became "null and void". Uncertainty remained sky-high.

A key point to note is that this health crisis led to a severely distressed negative impact that has never been experienced in the past. There is no precise way to tell what the economic damage will be, especially from the unprecedented measures. And unlike the 1997 AFC and 2008 GFC, this time around, many industries were devastated.

Plants were shuttered. It dried up supply lines and spiked unemployment. Businesses and industries were hurt twofold – a plunge in profits and crimped short-term liquidity. People suffered an erosion of income from job loss. Consumption fell.

Damages arising from this crisis is not straightforward. The economy will not automatically return to pre-crisis levels anytime soon. There is now an increasingly clear route to bring the immediate crisis to an end that relies on a mass vaccination programme that is unprecedented in speed and scale.

While the recovery measures unveiled are essential to restart the economy and steer it back to the growth path, undeniably, there are challenges. Long-term effects of the pandemic – accelerated by the spread of technology, a boost in automation, shift in global landscape, sustainability, future workforce, public deliveries, the third sector and corporate reforms – remain highly uncertain. Left unaddressed, these will deepen and leave the economy less sustainable, less equal, and more fragile. Incremental measures and ad hoc fixes will not suffice to prevent this scenario.

Any attempt to grit one's teeth just long enough to return to the pre-crisis mode could fail resoundingly as this new reality bites and hurts confidence, a necessary ingredient for the economic activity to rebound and maintain sustainable growth.

While the recovery measures stressed on demand policies, they may not be adequate to provide full support to the economy over the medium and long term. There is a need to build entirely new foundations for the economy and social systems to improve the supply side.

On the flip side, the Covid-19 pandemic has provided a unique opportunity to think about the kind of future we want. The need to "reset" the economy by addressing the underlying problems – real and perceived – that had set off the crisis is vital.

For instance, prior to the outbreak of Covid-19 pandemic, digitalization was already gaining traction amongst small and medium enterprises (SMEs) to improve their efficiency and competitiveness. But this crisis elevated the importance of digitalization following the disruption of logistics and transportation. It exposed the weaknesses of back-end business processes, rising digital divide, poor connectivity, a lack of skillsets to embrace 4IR, SMEs being caught in a "computerization trap" and struggling micro-SMEs. Still, this pandemic saw a surge in e-commerce activities.

Artificial Intelligence (AI), robotics, etc. have evolved over the years. But the Covid-19 pandemic has augmented the application of these technologies. It has strengthened the position for robotics and automation. Businesses understood the significance of automation and AI in their organisational structure. Traditional factory floor practice is reconfigured. Manufacturing companies progressively embrace automation and AI throughout the value chains in the wake of Covid-19. Automation will go beyond robotics and create a future that is more automated. Robots, IoT devices and 5G will likely form a close link.

The Covid-19 pandemic has become a powerful reminder of how the global community is heavily interconnected and vulnerable. There is no single country that can overcome this cross-border pandemic alone. This pandemic may have shattered the fantasy of geopolitical fragmentation and inward-looking policies that swept across nations. It has created winners and losers. Those who cannot survive will become obsolete.

And a clear consequence of this pandemic is a change in the behaviour of the global community. It has caused political, economic, social, and cultural shifts that have changed the global landscape and paved the way for opportunities for those who can navigate through the crisis smartly.

Arising from this pandemic crisis, Sustainable Development Goals (SDGs) are more relevant today than ever before. The pandemic caused human devastation, social and economic effects. This crisis showed the economy needs a strong resilience to build against future shocks that can undermine the well-being and perpetuate vulnerabilities. SDGs could provide a roadmap for sustainable practice as a shared responsibility by all stakeholders.

But given the immediate priority to ensure a rapid recovery, the risk of side-tracking the SDG advancement has brewed. There is a risk of reversing the progress made to achieve the SDGs.

This crisis has unveiled areas of complacency and upheavals throughout education andtraining. The "old-fashioned" education system has failed to keep up with the changes as complacency emerged, upsetting the "legacy" and "top-down" education and training. Technical and Vocational programmes (TVET) are associated with nonperforming school leavers – low pay, dirty work, no prestige, uneducated, lack of interest and useless – are not in the mainstream. This pandemic has accelerated a greater reliance on remote work; higher use of e-commerce and virtual transactions; and greater adoption of automation.

Public services were disrupted by the Covid-19 pandemic and hampered by the restrictive measures to contain the virus spread. Temporary closures of government offices stalled public services and affected vital needs. The pandemic has brought forth the complexity in managing the role of the government in the market. There is a need for flexibility among regulatory authorities in enforcing regulatory procedures and processes.

The government must be more technology-savvy to interact with businesses. Lessons from the past and current crises suggest the government must focus on what it must do best – design policy and regulate – to facilitate and support business activities and leave business operations to the private sector.

The pandemic also exposed the economic impacts and vulnerabilities of almost everyone. But those who already faced the highest risk and degree of socioeconomic marginalization were far more severely impacted – at-risk women and children, the elderly, adolescents, youth, persons with disabilities, indigenous population, refugees, migrants, and minorities. For them, the lost income from this pandemic spiked the poverty level, causing missed meals and school, and reduced access to healthcare beyond Covid-19. It deprived them of livelihood opportunities that are already hard to come by. And it caused them to lose whatever gains they have made. Inequalities will worsen. Those left behind fall even further.

This crisis has caused a severe disruption in the global supply chain. While some companies benefited, a majority struggled. Corporate earnings in many industries deteriorated from supply chain disruptions, lower demand, high unemployment, weak consumer sentiment and business confidence.

Some distressed companies (for example those in aviation or travel/hospitality industries) found it tough to obtain financing to sustain or turn around their businesses. The existing insolvency framework remains unfavourable to private rescue financing. The serious Impact on earnings showed companies need support to weather this crisis and build a future-ready Corporate Malaysia.

It is a timely reminder of the need for, as well as an opportunity to speed up a muchneeded economic resetting. The time to act is now – a recovery without resetting the structural issues is a waste. And the reset policy must steer the economy towards sustainable growth, identify and remove the root cause of the inherent weaknesses, and provide a pathway for the 12th Malaysia Plan.

The New Economic Landscape

- Global economy changed dramatically in the first three months of 2020
- Global economy collapsed in second quarter
- Global economy picked up in 3Q2020
- Continued growth momentum in fourth quarter
- Global economy set to recover further in 2021
- Global community is heavily interconnected
- Resetting Malaysia in the new economic landscape

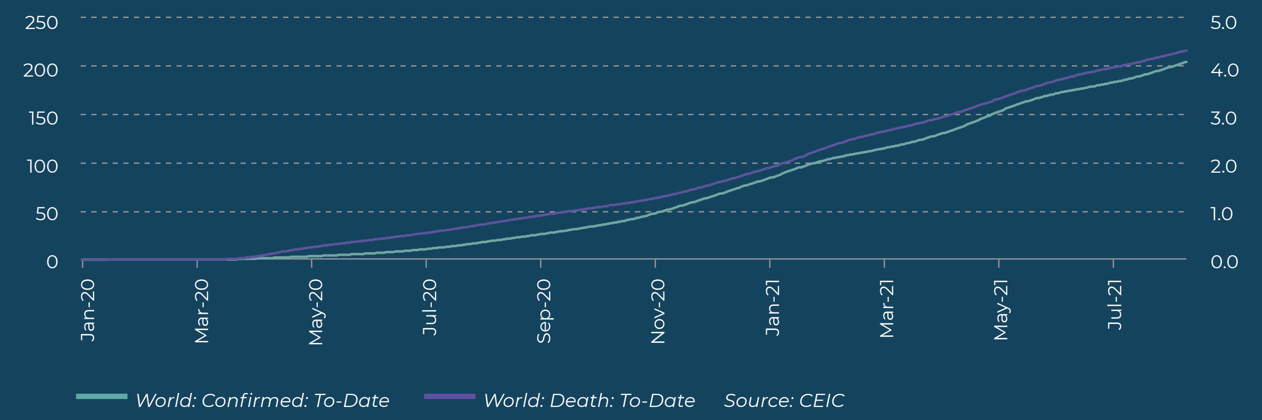
Global economy changed dramatically in the first three months of 2020

At the start of 2020, world economy witnessed a brief tension between the US and Iran from the US assassination of Iran's top general, Qassem Soleimani. It escalated to a "shadow war" in the Middle East between the two countries and ended quick.

On the heels of the US-Iran tension, came the outbreak of the novel coronavirus (later known as Covid-19). This pandemic is a rare disaster that resulted in a tragic loss of human lives, and impacted livelihood and business. The World Health Organization (WHO) declared the virus as a global health emergency with the risk of spread and impact as "very high" – the most serious designation given by the organization.

On 11 March 2020, the WHO declared Covid-19 as a pandemic when over 3 million cases and 207,973 deaths spread across 213 countries and territories. Since then, the number of cases has been on the rise. It has reached 204,966,120 with the total deaths at 4,330,782 as of 11 August 2011. (See Chart 10)

Chart 10: Global Number & Death of Covid-19 cases (million)



Source: CEIC

While it remained unknown where exactly the Covid-19 outbreak first started, many early cases were attributed to the people who have visited the Huanan Seafood Wholesale Market located in Wuhan in the province of Hubei, China.

The first known person with Covid-19 symptoms was discovered on 1 December 2019. But that person did not have visible connection with the wet market cluster. However, it could have happened earlier on 17 November 2019 where two-thirds of the cases reported were found to have a link with the market.

Several theories emerged on when and where the very first case which is referred to as the "patient zero" originated. And it is possible that the virus first could have emerged in October 2019. Like no other crisis, this pandemic resulted in a severe impact on lives, livelihood and business. To contain the virus spread, governments mandated shutdowns of business or operate well below capacity and the necessary quarantines as well as practice of social distancing placed the world in a "Great Lockdown".

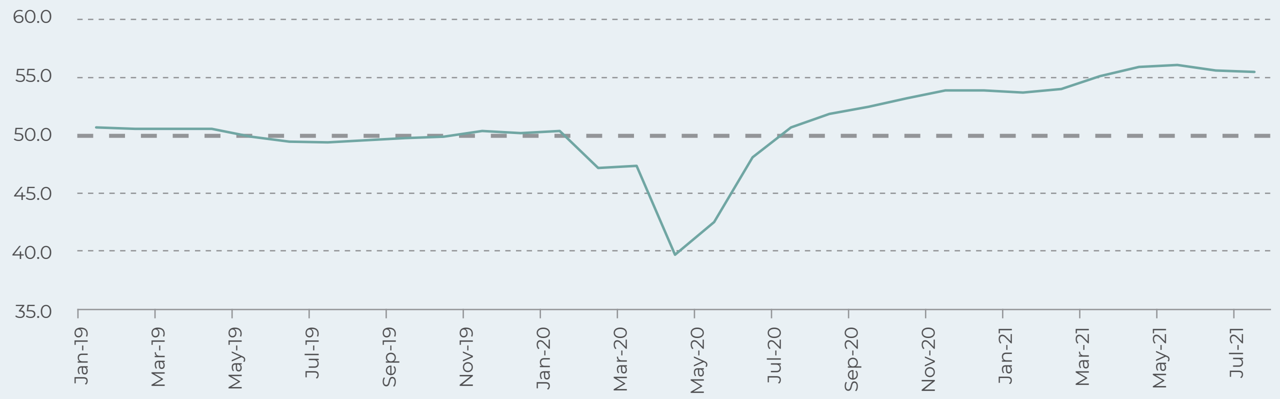
The speed and magnitude of collapse from the restrictive measures was something that had never been experienced in our lifetime. It disrupted global supply chain, decimated demand and fuelled job loss — not seen since the 1930s Great Depression. It delivered a huge blow to manufacturing, services, global trade, and labour market.

Global economy collapsed in second quarter

Unprecedented measures to contain the virus spread through lockdowns and MCO that was adopted by governments around the globe resulted to a disruption of global supply chain following closures or operating well below full capacity.

Overall activities of most business including sales were badly hurt from many onsite jobs halted due to delays in deliveries from suppliers, shippers raised logistics and shipping costs, raw material prices rose and shortages in supply. It impacted demand which collapsed, unemployment spiked, income dropped significantly, and inequalities surged. Consequences from the unprecedented measures led to a collapse of ***global manufacturing***. Global manufacturing PMI plunged to 39.6 in April from 47.3 in March, a rate not seen since the height of the GFC in 2008. (See Chart 11).

Chart 11: Global Manufacturing PMI

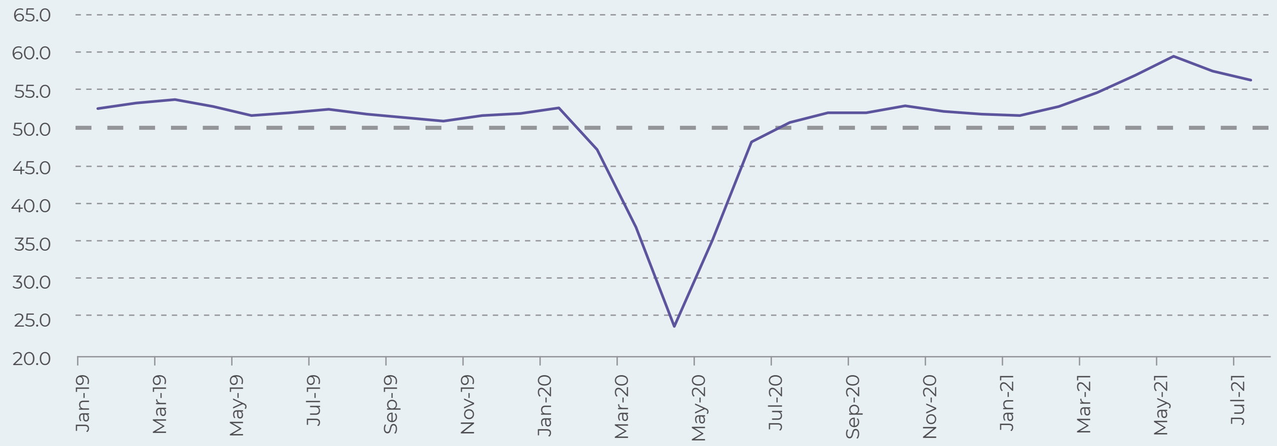


Source: CEIC

At the same time, ***global services*** took a strong hit from the pandemic. Following the unprecedented restrictive measures that adversely impacted manufacturing, it also inflicted the services sector.

Added with the practice of social distancing, those business that depend on customerprovider interactions or involve in the congregation of large numbers of people like restaurants, hotels, childcare services, retail trade, tourism and tourism-related and transportation took a strong blow. Global services PMI dived to a record low of 23.7 in April from 36.8 in March. (See Chart 12)

Chart 12: Global Services PMI



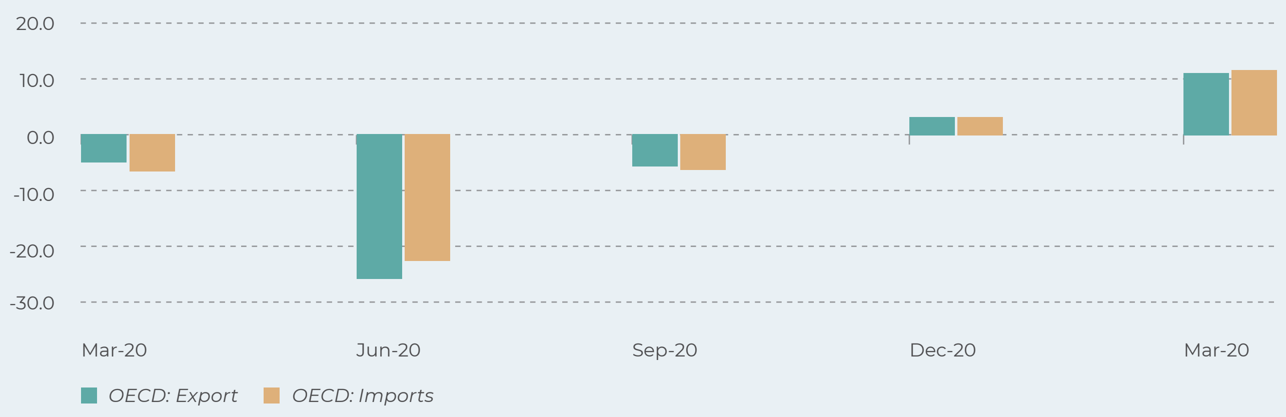
Source: CEIC

Apart from manufacturing and trade, the ***global trade*** also took a strong beating from this pandemic. Most countries trade plummeted. Monthly data revealed the collapse in trade in April 2020 when most countries had stringent Covid-19 containment measures in place. For instance, compared to March 2020, OECD exports and imports plunged by 18.7 percent and 16.0 percent respectively.

However, following the easing of restrictive measures in May, global manufacturing PMI improved to 42.4 and further gained momentum to reach 47.8 in June supported by slower pace of contraction in output, new orders, and employment. On the same token, global services Purchasing Managers Index (PMI) rose to 48.1 by June followinga gradual recovery in May to 35.2.

Despite a gradual relaxation of the restrictive measures, trade collapsed in the second quarter of 2020. Compared with the first quarter, exports shrank by 17.7 percent and imports by 16.7 percent, the largest fall since the 2009 financial crisis. (See Chart 13)

Chart 13: OECD Trade Annual Change (%)



With a strong hit on the overall global economic activities, the second quarter global GDP contracted sharply. (See Table 7) The US economy reported the biggest plunge by 31.2 percent, the worst drop ever. Its closest previous fall was in the second quarter of 1921, when the economy tumbled by 28.6 percent.

Table 7: Quarterly GDP (%)

	1Q2020	2Q2020	3Q2020	4Q2020	1Q2021
Advanced Economies	**Seasonally Adjusted Annualised Change %**				
US	-5.1	-31.2	33.8	4.5	6.3
Eurozone	-3.6	-11.4	12.4	-0.6	-0.3
UK	-2.8	-19.5	16.9	1.3	-1.6
Japan	-2.0	-28.6	22.9	11.7	-3.9
EMDEs	**Annual Change %**				
China	-6.8	3.2	4.9	6.5	18.3
India	3.0	-24.4	-7.4	0.5	1.6
ASEAN-5	**Annual Change %**				
Malaysia	0.7	-17.2	-2.7	-3.4	-0.5
Singapore	0.0	-13.3	-5.8	-2.4	1.5
Thailand	-2.1	-12.1	-6.4	-4.2	-2.6
Indonesia	3.0	-5.3	-3.5	-2.2	-0.7
Philippines	-0.7	-17.0	-11.6	-8.3	-3.9

Source: CEI

The eurozone economy shrank by 11.4 percent, the lowest since records began in 1995. Although the strict lockdown was slowly eased as the quarter progressed, there are still a lot of uncertainty going forward over the future impact of the virus that could result to a painfully slow recovery.

Japan's GDP contracted by an annualized 28.6 percent, marks the worst contraction in the post-war era. Capital expenditure took a hit from the coronavirus crisis, highlighting the challenge policymakers face in averting a deeper recession. Other data put that challenge in perspective, with household spending and wages falling as the broadening impact of the Covid-19 pandemic kept consumption frail even after lockdown measures were lifted in May.

China reported a growth of 3.2 percent after having contracted by 6.8 percent in the first quarter – the first GDP decline since at least 1992, when official quarterly recordsstarted. It comes as lockdowns to contain the coronavirus outbreak in China eased,and as Beijing rolled out stimulus measures to prop up its economy.

Global economy picked up in 3Q2020

Meanwhile, the global recession proved to be short despite the severity from the unprecedented measures. The world economy reached to its lowest point in April. Since then, it has been recovering and stabilising from the easing of the restrictive measures as reflected by the summer hard and soft data.

Recovery also benefitted from the governments around the world who reacted fast to contain their economic downside risk from this pandemic through the necessary and costly stimulus measures (fiscal, monetary, and non-monetary). Many parts of the global economy responded effectively to the first wave of the pandemic.

Stimulus measures were rolled out fast to protect lives, livelihood and business against the health and economic fallout from the pandemic. It allowed the governments to reopen their economies in a highly uncertain environment.

With businesses reopened (even at limited capacity) and consumers slowly began to resume some semblance of typical activity, the economy snapped back. ***Global manufacturing*** reflected by the global manufacturing PMI expanded to 52.3 in September from 50.6 at the start of third quarter. Output and new orders both rosefor the third

successive month, while new export business expanded for the first time in over two years during this quarter.

Services sector also benefitted from the stimulus measures and relaxation of the restrictive measures. Global services PMI rose to 52.0 in September from 52.7 at the start of third quarter. Upturn came from improved output and new orders as it filtered into the labour market with improved staffing for the first time since January.

Global trade rebounded sharply during the quarter. Both exports and imports bounced back sharply. Exports jumped by 21.6 percent and imports surged by 18.1 percent after their precipitous fall in the second quarter from the impact of lockdown and MCO measures that were brought in across the globe. However, global trade remained around 5 percent below its pre-pandemic level in fourth quarter of 2019 and close to 10 percent below the most recent high seen in third quarter of 2018.

With a strong rebound in the overall economic data during the quarter, the ***global economy*** produced a record breaking rebound. As business reopened (even at limited capacity) and consumers slowly began resuming some semblance of typical activity and added with stimulus measures, it provided further a good lift to global growth.

Coming off the worst quarter in history, the US economy grew at its fastest pace ever in the third quarter as a nation battered by an unprecedented pandemic started to put itself back together. The economy surged at a record pace by 33.8 percent, fuelled by more than $3 trillion in pandemic relief, wiping out the sharp contraction in the previous quarter.

The eurozone economy bounced back in the third quarter as the region profited from a summer period with few social restrictions. The GDP rose by 12.4 percent — the sharpest-ever on record — marks come back for the region after it contracted by 11.8% in the second quarter. But this momentum is likely to be limited as governments tighten social restrictions once again.

Japan's GDP surged by 22.9 percent, staging a strong rebound from a deep slump in the previous three months. The better outcome was primarily due to an upward revision to consumption and business investment. To ensure continued recovery into 2021, Japanese Prime Minister Yoshihide Suga announced on Tuesday a fresh stimulus package worth yen (Y) 73.6tr ($707bn). The new stimulus package will raise Japan's total pandemic-related stimulus to about $3tr.

China's economy recovered further from the coronavirus in the third quarter. The economy reported third-quarter GDP growth, up 4.9% from a year ago. The quick recovery was a product of its stringent lockdowns, massive Covid-19 testing, population tracking, a large economy that can afford to be somewhat insulated, and fiscal stimulus via credit expansion.

Continued growth momentum in fourth quarter

Global manufacturing output rose at the fastest pace in over two-and-a-half years in October. Positive momentum is reflected by the global manufacturing PMI which remained above the neutral 50.0 mark for six successive months, assisted by an upturn in global trade with rising business optimism.

Global manufacturing PMI posted a reading of 53.0 in October from 52.4 in September, which turned out to be the best reading for 29 months (since May 2018). And the strong trend continued during the quarter with global manufacturing PMI reach 53.8 in December, supported by strong production and new orders. It is despite the upside to manufacturing activities were contained from the severely stretched global supply chains that led to marked delays and disruption to raw material deliveries, production schedules and distribution timetables.

Meanwhile, ***global services*** continued to expand during the quarter. In October, global services PMI came in at 52.9 and settled at 51.8 in December. This sector continued to benefit from increased output driven by a further gain in incoming new orders although evidence of weaker new orders emerged. Staffing levels remained firm.

And the final quarter of 2020 also showed continued recovery in ***global trade***. Both exports and imports grew by 7.2 percent and 6.8 percent, respectively. It comes about after a strong and unprecedented expansion observed in the third quarter, whereby both exports and imports surged by 20.6 percent and 16.8 percent, respectively.

Supported by healthy macro data, the ***global economy*** continued to expand in the fourth quarter following a record-breaking rebound in third quarter. However, the overall growth was mix. For instance, the US economy expanded by 4.1 percent in the final three months of 2020. The influx of new government stimulus efforts and accelerated vaccine distribution supported growth in the current quarter.

Meanwhile, the economic growth in the euro zone was not as rosy as the US. In the final quarter, the economy contracted by 0.7 percent primarily affected by the pandemic-induced lockdowns. However, the slump during the quarter was milder compared to the first half of the year given that the restrictive measures adapted were less severe than earlier. Peoples' mobility was stronger during the quarter than during the first wave. Also, the rest of the world is still open.

Japan's economy expanded more than expected in the fourth quarter, extending its recovery from its worst post-war recession as a rebound in overseas demand boosted exports and capital expenditure. The economy grew by an annualized 12.7 percent from October to December, marking the second straight quarter of increase.

China's GDP rose by 6.5 percent during the quarter. The quickened economic recovery in the last quarter, accelerating from the third quarter's 4.9 percent pace, was driven by stronger demand both domestically and abroad. Their success in controlling the pandemic also helped it expand shares in global trade.

Global economy set to recover further in 2021

Conditions in the global manufacturing, services and trade are set to continue to brighten in the first quarter of 2021, despite the potential for growth to be stymied by rising cost inflationary pressures and supply-chain disruptions.

The performance of the ***global manufacturing*** sector continued to strengthen during the quarter, consistent with the idea that global activity is rebounding as vaccinations become more available. This is reflected in the manufacturing PMI that came in at 55 in March from 53.5 in January.

Likewise, the ***global services*** expanded during the quarter. In March, global services PMI rose to 54.7 from 51.6 in January. It benefitted from higher output from further gains from the latest indication of a roaring economy that is being boosted by increased vaccinations and massive fiscal stimulus. Staffing levels remained firm.

At the same time, the first quarter of 2021 ***global trade*** remained strong. Continuing the recovery initiated in the third of quarter of 2020, international merchandise trade reached record levels during the quarter. Compared with the previous quarter, exports and imports increased by 8.0 percent and 8.1 percent, respectively.

The ***global economic*** outlook has improved since third quarter of 2020 with the development of effective vaccines and stimulus measures raising the likelihood of a significant economic recovery in 2021 and reducing downside risks. If the thresholds for herd immunity is achieved by end of third quarter of 202, it would sustain a strong economic momentum through faster rebound in consumer confidence that will speed up the recovery in consumer spending and business activities

Now during the quarter, the US economy grew at a solid 6.3 percent, setting the stage for what cane be viewed as the strongest year for the economy in about seven decades. Economic growth has continued to accelerate supported by vaccinations which has become widespread and being welcomed by newly re-opened businesses. Surging activity from consumers is being fuelled in part by nearly $3 trillion in financial support that the government has approved since December.

The euro zone economy contracted in the first quarter of 2021 as countries implemented new lockdowns and restrictions amid a third wave of coronavirus infections. The GDP in the region fell by 0.3 percent and marks the second consecutive quarter of contractions, meaning the region is in a technical recession.

Japan economy shrank by an annualised 3.9 percent during the quarter, posting the first fall in three quarters. It was mainly due to a smaller fall in public and capital spending, which both eased less than initially thought, offsetting a slightly larger fall in private consumption, which showed weakness in domestic demand. The vaccine issue is the most important thing for the (economic) recovery.

China's economic growth recorded a whopping 18.3 percent in the first quarter of 2021. The figure indicates that China's economy is roaring back to pre-pandemic levels, marking China's highest annual growth rate since it first began recording the statistic in 1993. Growth was propelled by stronger demand at home and abroad and continued government support for smaller firms as well as low base.

Table 8: Global GDP (annual change %)

	2018	2019	2020	2021(f)
World	3.6	2.8	-3.2	6.0
Advanced Economies	2.3	1.6	-4.6	5.6
US	3.0	2.2	-3.5	7.0
Euro Area	1.9	1.3	-6.5	4.6
UK	1.3	1.4	-9.8	7.0
Japan	0.6	0.0	-4.7	2.8
Canada	2.4	1.9	-5.3	6.3
Other Advanced Economies	2.8	1.9	-2.0	4.9
EMDEs	3.4	2.5	-2.0	4.9
China	6.7	6.0	2.3	8.1
India	6.5	4.0	-7.3	9.5
Asean-5	5.3	4.9	-3.4	4.3

Source: IMF/CEIC

Table 9: Global Trade Pre Covid-19 (annual change in %)

	2018	2019	2020	2021(f)
World: Trade: Goods and Services	3.9	0.9	-8.3	9.7
Adv Economies: Import: Goods and Services	3.7	1.7	-9.1	9.1
Adv Economies: Export: Goods and Services	3.6	1.3	-9.5	7.9
EMDE: Import: Goods and Services	4.7	-1.0	-8.6	9.0
EMDE: Export: Goods and Services	3.9	0.5	-5.7	7.6

Source: IMF/CEIC

Global community is heavily interconnected

The Covid-19 pandemic exposed how global community is heavily interconnected and vulnerable despite the recent geopolitical fragmentation and inward-looking policies. There is a change in the behaviour of the global community.

The pandemic brought about years of change in the way governments, people and businesses in all sectors and regions conduct their activities. It changed the global landscape with shifts created in political, economic, social, and cultural aspects. While having opened the door for opportunities to those who navigate well through the challenges, those who are obsolete will not survive.

One of the key success factors during this crisis is the capabilities of technology. And to stay competitive in this new business and economic environment, new strategies and practices are required. Businesses and industries accelerated their digitalization process for customers, supply-chain interactions and internal operations. They embraced IR 4.0, automation and accelerated e-commerce as consumers moved quickly towards online channels.

Restrictive measures to contain the virus spread disrupted global supply chains. Many manufacturers realized the importance of supply chain diversification rather than to source parts and components from a single market.

Supply chains will have to be restructured, with built-in redundancy and resilience at the expense of some efficiency. Manufacturing would potentially come closer to home markets. It will boost the trend towards regionalization and re-localization. This would become a new normal of economic globalization.

A realisation of tension emerged between efficiency and resilience in global value chains (GVCs), and the potential implications for managing and coordinating GVCs. Resilience needs to be prioritized over the efficiency in GVCs to achieve long-term sustainability. Both efficiency and resilience must be maintained concurrently.

And this crisis necessitated actions on multiple fronts. It is not just from the public health measures to contain the virus spread, but also efforts to cushion the economic effects on households and businesses. The pandemic exposed biological, physical and spatial vulnerabilities, as well as social and economic instability.

The pandemic affected governments in unprecedented ways. It changed the social values and norms as well as the way the economy functions. Governments need to play a critical role at the heart of the response to the pandemic. Facilitation and formulation of right policies and new approaches are crucial. They need to continuously learn, adapt and actively build coalitions that are best placed to have a successful response. The old notion of “know-all” must be dropped. They should adopt greater technology and network, and increase the usage of e-government.

The importance of “post-modernisation society” gained strong traction. Public issues must be addressed. Vulnerable groups (B40 and M40) need more attention. They experienced huge loss of income. Likewise, the informal sector, rural and urban poor. The regional gaps across income groups, ethnicities, and supply chains that emerged glaringly from this pandemic must be addressed. The 3rd sector would play a vital role.

And the Covid-19 crisis again highlighted the importance of environmental, social and governance (ESG). It will have significant implications on the development of the economy and society. There is a need to speed up the ESG agenda. It should not be a vague distant goal to embrace ESG. It must be strengthened immediately to elevate societies, businesses and manufacturers’ resilience.

The new environment from this pandemic virus is complex. It sets off pressure and demand from various stakeholder groups. It heightens expectations for societal engagement. It has complicated the board decision making and challenged the shareholder-centric model and appears to give way to a richer model of governance that puts the health and resilience of the company at its centre. Resulting from the pandemic, corporate balance sheets are far more stretched than ever. Corporate debt looms large over the global economy. And traditional measures of debt affordability and debt sustainability worsen as the recession takes hold.

Hence, the shift in global landscape post-pandemic would create new economic opportunities and challenges. And now is the time for governments to turn their attention to restart a stronger economic future that is more resilient to potential crisis.

Resetting Malaysia in the new economic landscape

The strategy must comprise a set of broad goals with national aspirations. Emphasis will have to be on forward-looking measures that promote productivity, reduce households' economic insecurity, better align domestic and international growth impulses, and counter the increasingly dangerous disconnect between the financial system and real economy. It must focus beyond the value of the local currency.

To restart the economy and set for a stronger future, the government must take into consideration of the vulnerabilities emerged from this crisis. New ways of doing businesses that move away from the "know-all" and "does-all" mindset is vital. The urgency to realize the vulnerabilities and complacency and address them will help avoid a lack of preparedness to face future potential shocks.

Hence, developing a more resilient economy and society that are better placed to cope with risks and challenges is vital. And the government must not lose sight of important growth drivers i.e. human capital, education, health, social protection and infrastructure, efficiency of bureaucracy, and ease of doing businesses, among others, while using the short-term policy instruments to address the current challenges.

For instance, a heightened sense of vulnerability created by global supply chain disruptions raised the question on whether the supply chains are stretched thin and is a source of vulnerability rather than improve the economic outcomes. The government and private sector need to place greater emphasis to build the supply chain resilience instead of

optimizing and stretching their supply chains. Costly reconfigurations and the reshaping of attitudes and priorities are needed.

Societies have been upended. This crisis caused an unprecedented disruption to the economy, education system and lives, livelihood, and businesses. It has heightened the awareness of sustainability. And it has also presented the opportunities for businesses to focus on their environmental, social and governance (ESG) performance that would help create a competitive advantage in the coming years.

The shift in consumer behaviour arising from this Covid crisis include the composition of spending. Households may opt for more precautionary savings from heightened uncertainty over jobs and income prospects. Both consumer and business suffered from sustained declines in confidence. A continued depressed capital spending will damage long-term sustainable growth prospects. The current social protection system needs to be revisited.

Besides, the policy strategy must pivot towards ensuring self-sufficiency while building domestic capabilities in strategic areas. They should be designed to support local national industry champions, reduce import dependence, and favour local production.

The question is, will people go back to the lives they led before once the disease has been brought fully under control? Will there be little tolerance for another round of "austerity" or reduction in the level of growth of public spending? And how far will the breakdown of international relations go? Will it lead to a probable development of a shift away from globalisation?

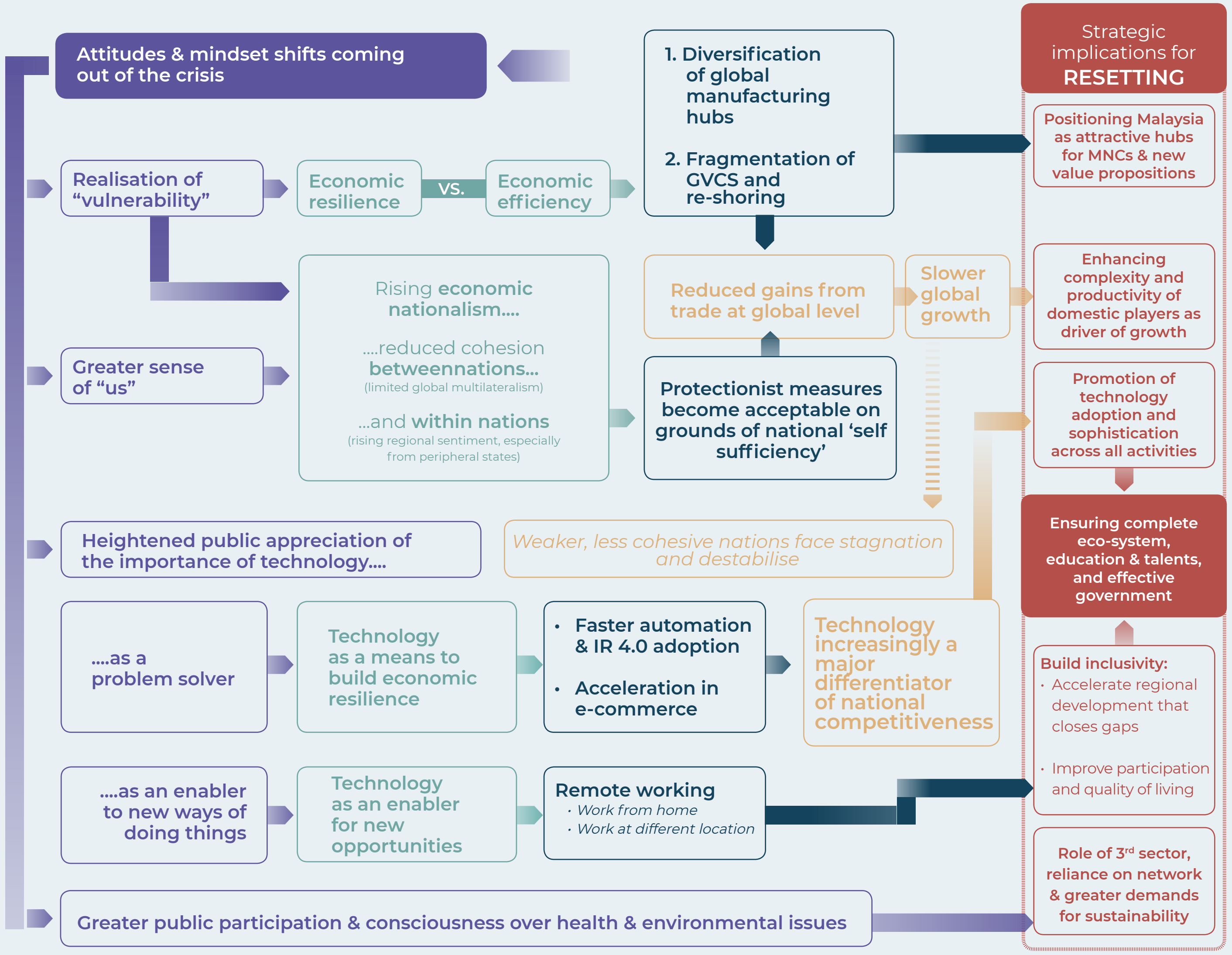
It also remains unclear as to when, how or even whether vaccines or some other solutions will bring the pandemic under full control. Also, the path of the economic recovery going forward is hazy.

Then there are questions on how bad the impact of the pandemic will ultimately be on trade, trade policy and international relations. What might the world be after the pandemic? Will there be risk of the integration of supply chains declining? What would the future job market be with the greater acceleration to adopt technologies that promise to enhance safety along with opportunities for greater social control?

There is an urgent need to adjust to the changing global landscape. It is vital to adapt to the new realities with the aim of achieving the Shared Prosperity Vision (SPV) 2030's sustainable GDP growth of 4.7 percent along with fair and equitable distribution across income groups, ethnicities and regions.

And the country needs to develop the agility to recalibrate itself and lay the grounds to strengthen the economic pillars. Policy certainty in relation to future direction is crucial to instil investor confidence and reset the economy on a strong and solid foundation to ensure potential sustainable growth.

Chart 14: Shift in global landscape creates new economic challenges to Malaysia



Resetting Agenda For Malaysia

Reset 1 : Embracing The Digital Economy
Reset 2 : Promoting Technology Adoption & Advancement
Reset 3 : Positioning For A Shifting Global Landscape
Reset 4 : Promoting Shared Responsibility, Good Governance, And Sustainability
Reset 5 : Preparing Future Workforce
Reset 6 : Strengthening Public Deliveries & Promotion Of Competitive Market
Reset 7 : Attending Vulnerable Communities & Mainstreaming The Third Sector
Reset 8 : Corporate Recovery & Reform

RESET

Embracing the Digital Economy

A. Situational Analysis
B. Lessons Learnt
C. Reset Agenda 1

A. Situational Analysis

- Prior to the outbreak of the Covid-19 pandemic, digitalization was already gaining traction amongst small and medium enterprises (SMEs) to improve their efficiency and competitiveness. The Covid-19 pandemic accompanied by restrictive measures saw the domestic economy take a strong beating. The second quarter GDP experienced its worst contraction since the 1997 AFC, down by 17.1 percent on an annual basis. And the economy remained in negative growth trajectory for the next three quarters.

- Restrictive measures to contain the virus spread impacted businesses severely owing to temporary closures of non-essential businesses and prohibition of mass movements nationwide. Within a short span, around 70 percent of SMEs suffered a 50 percent drop in their business activities. However, those who moved to online space enjoyed a significant jump in sales – non-food shopping (+53 percent), grocery shopping (+144 percent), food delivery (+61 percent) and food delivery platforms such as GrabFood and Foodpanda (+30 percent).

- This crisis underscored the importance of digitalization. Farmers in Cameron Highlands are a good example. Owing to disruptions on logistics and transportation, they were forced to dump their produce as sales was disrupted while storage facilities were lacking. The farmers then switched to e-commerce platforms (e.g. Lazada) and managed to sell 70 tonnes of produce online within 3 weeks.

- And this pandemic exposed the weaknesses of back-end business processes in areas like accounting, administration, communications, data processing, logistics and document handling services. About 84 percent of SMEs faced online connectivity challenges which affected communication with customers and suppliers and the ability to have work-from-home (WFH) arrangements.

- Given that only 37.8 percent of enterprises nationwide had a web presence, SMEs' adoption of digital technologies was below 20 percent. When the restrictive measures were imposed, only 1 in 15 was able to maintain their business operations. However, the Prihatin and Penjana 2020 stimulus packages saw more than 50 percent of SMEs surveyed by Malaysia Digital Economy Corporation (MDEC) kick-start their digital journey. Most of them focused on the front end of digitalization in areas like sales and marketing.

- Meanwhile, one of the key challenges to SMEs' digital transformation is their tight cash flow as businesses were impacted by the Covid-19 pandemic. Many of the SMEs struggled to survive. They were hampered by a combination of factors which includes limited digital capabilities and skilled workers.

- The pandemic also exposed a rising trend of digital divide. A growing disparity is seen between the people and businesses' ability to leverage digital technologies. It is due to different levels of digital literacy and skills; unequal access to ICT facilities, digital infrastructure in terms of speed and service quality, and the availability of broadband connectivity among rural, B40 and other vulnerable groups such as the disabled and aging communities.

- And this crisis caused severe disruption on "over-the-counter" public services. A lack of user-friendly online public services due to fragmented digitalization initiatives between ministries and agencies, and poor inter-agency data sharing are the main culprits. They slowed down the delivery of targeted public services during crisis situations.

> **Meanwhile, one of the key challenges to SMEs' digital transformation is their tight cash flow as businesses were impacted by the Covid-19 pandemic. Many of the SMEs struggled to survive.**

B. Lessons Learnt

- A large number of SMEs was caught in a "computerization trap" from poor awareness on digitalization, know-how and financial constraints. Internet connection, use of digital platforms for social media marketing and limited computer or devices are the main causes of the lack of a holistic digitalization strategy. It curtailed the SMEs' competitiveness and their access to global supply chains, while global companies continued to accelerate their technology adoption, especially following the pandemic crisis.

- The Covid-19 pandemic led to a significant surge in e-commerce activities. It created strong pathways and opportunities for the local companies to tap and gain entry into a wider market. However, the speed of delivery in e-commerce became the key obstruction when logistics and transportation services were severely disrupted, during the restrictive measures period.

- Micro-SMEs (MSMEs) experienced difficulties in taking advantage of market opportunities. Small-scale transactions, poor information accessibility on prices and technology, lack of information on how to connect to established market players, and credit constraints are the main obstacles. For local companies to venture into the regional e-commerce market which is forecasted to grow to RM915 billion by 2025, there is a need to digitalise the supply chain and strengthen logistics services.

- The pandemic underscored new productivity growth drivers. There is a greater receptiveness to digitalize traditional (non-tech) sectors like agriculture, healthcare and education, and harness big data to drive innovations. It would unleash Malaysians' creativity and ride on the growing interest in Asian online content.

- This crisis unveiled close to 90 percent of the Malaysian workers do not possess the necessary skillsets to embrace the 4IR. About 48 percent of SMEs acknowledged their employees' poor skills. They need digital reskilling, upskilling and digital literacy. Digital infrastructure and facilities must be improved.

- High-speed internet connectivity and access to ICT facilities are vital to supportdigital activities. Only 54 percent of the rural population use computers compared to 75 percent in the urban areas. For businesses, 56 percent of SME establishments in Kuala Lumpur have a web presence compared to only 20 percent in Kedah.

- The Covid-19 pandemic unveiled the need to accelerate the delivery of public services digitally. It is to avoid a standstill during lockdowns. A lack of effective coordination amongst government ministries impacted the delivery of end-to-end digital services across all ministries and agencies, comprising 700 agencies and 1,700 licensing bodies that involve 13,500 services. Malaysia's rank on the UN Electronic Government Online Service Index (OSI) is 27. The target set under the 11th Malaysia Plan is 15.

- Inter-agency data-sharing is weak due to poor awareness, data privacy and cybersecurity concerns. It slowed down the co-ordination and analysis for effective policy interventions. E-government is impossible if all parties are not committed to have an open data and make it work. It is vital to create awareness and buy-in from all stakeholders on the benefits of open data. Despite the national commitment to have open data in the government, Malaysia's position on the Open Data Barometer (ODB) fell over the 2-year period (2015—2016) in the ODB rank.

- On the positive side, the Covid-19 pandemic boosted cashless payment. This form of payment accelerated the pace of digital savviness, lower geographical and administrative barriers as well as delivery cost. Within the Southeast Asian (SEA) region, cashless payments are expected to exceed RM3 trillion in the next five years, suggesting is a clear value driver for Malaysia.

C. Reset Agenda 1

R1.1 Digitalizing Micro, Small and Medium Enterprises (MSME)

R.1.1.1 Conduct nationwide campaign for MSMEs to adopt digital and smart technologies with scheduled operational targets and welldefined end goals.

R.1.1.2 Set up a National MSME Digitalization Execution Task Force involving all SME-related agencies that subscribe to a common programme structure and delegated execution schedule.

R.1.1.3 Develop standard programme templates, each tailored to the state of MSMEs' digital readiness

R.1.1.4 Establish MSME digital support desks in all districts to ensure best access to quality support.

R.1.1.5 Introduce "Shift to Digital" grants and incentives for MSMEs to adopt digital technology.

R1.2 Malaysia as preferred digital and e-commerce hub

R.1.2.1 Develop an end-to-end e-commerce support system (digital network, financing, payment system, logistical support, regulatory framework, etc.).

R.1.2.2 Establish a dedicated "one-stop centre" with specialized team to uplift Malaysia as an international hub for e-commerce servicing Malaysians and international players.

R.1.2.3 Create intelligence support ("economic gardening") for highpotential Malaysian e-commerce players to venture into the global market.

R.1.2.4 Offer targeted incentives (tax and non-tax) and specialimmigration passes to position Malaysia as the preferred global digital start-ups.

R.1.2.5 Enhance locational density of digital entrepreneurs and start-ups by establishing designated regional digital start-up parks.

R.1.3 Future-proof talent and promotion of gig economy

R.1.3.1 Design well-structured formal digital education programmes covering all learning stages (pre-school, primary, secondary, higher and lifelong learning).

R.1.3.2 Equip all Malaysians with the knowledge and capabilities to effectively function in a fully digitalized economy.

R.1.3.3 Create mass awareness amongst youths and vulnerable communities on digital job and income opportunities (including aging and latent talents).

R.1.3.4 Promote and facilitate development of high-value digital services, including high-end gig jobs (e.g. freelance programmers, graphic designers, customer experience professionals, digital creative content creators, etc.).

R.1.3.5 Create a national task force to address cross-ministry complexities related to the development of gig economy (e.g. qualifying criteria, data compilation, social protection, legality, safety, public interest, cross-border payment, etc.).

R.1.4 One online touchpoint for all government services

R.1.4.1 Replace all agency-specific face-to-face counter services (e.g. JPJ, Immigration, SSM, LHDN, etc.) with user-friendly centralised online touchpoints (in place of the stand-alone facility) based on the national digital identity (MyKad).

R.1.4.2 Build users' trust through the promotion of effective enforcement and implementation of comprehensive cyber security regulatory framework to safeguard against data breaches, privacy, and data sovereignty.

R.1.4.3 Establish a public digitalization sandbox as a one-stop repository to facilitate efforts by solution providers to offer solutions for the public sector's digitalization needs.

R.1.5 Digital access for all

R.1.5.1 Commit to a detailed rollout plan (scheduled time frame, coverage, quality, affordability etc.) to realize broadband as a national utility (JENDELA).

R.1.5.2 Introduce an affordable and sustainable scheme to equip lowincome household and micro enterprises with suitable digital devices and accessibility.

R.1.5.3 Consolidate and coordinate the provision of public internet facilities and training programmes (e.g. Pusat Internet, Rural Transformation Centre, etc.) with a strong emphasis on quality.

R.1.6 Malaysia as a cashless economy

R.1.6.1 Embark on awareness and education programmes to drive the uptake of cashless solutions (spanning savings, lending, investment and payment services).

R.1.6.2 Address entry barriers for micro merchants, including merchant fees for payment gateways, know-how and a lack of ICT infrastructure.

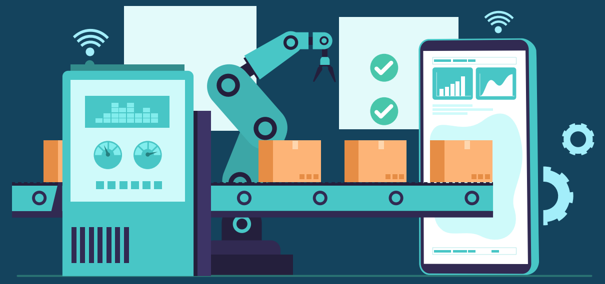
R.1.6.3 Drive domestic consumption of digital products and services through public-private partnerships and productive digital vouchers (e.g. e-wallets and digital discounts for students).

RESET 2

Promoting Technology Adoption & Advancement

- **A.** Situational Analysis
- **B.** Lessons Learnt
- **C.** Reset Agenda 2

A. Situation Analysis



- The Covid-19 pandemic severely impacted critical domestic sectors such as manufacturing, agriculture and construction. The impact from restrictive measures to contain this virus spread disrupted supply chains, demand and employment. It resulted in a sharp drop in output and caused excess capacity.

- The bi-annual Business Conditions Survey for the first half of 2020 carried out by the Federation of Malaysian Manufacturers-Malaysian Institute for Economic Research (FMM-MIER) revealed that overall business activities were badly affected. The survey showed businesses were at their lowest level since the inception of the survey in 2012, where both local sales and exports plunged to alltime lows.

- The Impact from the Covid-19 pandemic inflicted the agricultural output. The supply of inputs such as fertilizers, pesticides, seeds and machinery spare parts was interrupted by logistics constraints in the delivery of agricultural produce.

- Activities in the construction sector during the first phase of the MCO incurred a huge loss of RM11 billion. It was due to the inability of construction companies to quickly adapt to shocks. They were hindered by the failure to deploy technologies that would have provided the flexibility in the production process and supply chains.

- This crisis exposed the labour markets' vulnerabilities, especially in sectors that are highly dependent on low-skilled foreign workers such as agriculture, construction, and plantation. About 42 percent of the 2 million registered foreign workers are employed in these sectors which experienced a severe shortage of workers when a large number of foreign workers returned to their home countries following the movement restriction measures.

- The workforce in the agriculture sector comprises predominantly older people who tend to resist technology adoption. This sector saw a 22 percent reduction in workers during the pandemic, according to the Department of Statistics Malaysia (DOSM). Small and medium-size construction companies were badly hit due to low adoption of technology and high dependence on foreign labour.

- This pandemic impacted on SMEs was severe and swift. In March 2020, 95.3 percent of SMEs experienced an immediate drop in sales. Almost 45 percent found their sales revenue plunging by over 70 percent with 13.2 percent recording zero sales. When the MCO was extended into April 2020, the percentage of SMEs with zero sales surged to 58.6 percent.

- The deployment of advanced technologies requires high-skilled workers who are capable of operating complex and intelligent machines. But MITI's 2018 report showed a decline in the relative share of high-skilled labour from 19 percent in 2010 to 18 percent in 2017. If this trend continues, it will slow down the country's transformation and hamper the move to transform industries owing to declining of high-skilled workforce.

- Embracing 4IR technologies, use of big data analytics, robotics, automation and artificial intelligence will be the way forward to enhance competitiveness. Any delay will dampen the ability to move up into higher value-added activities such as R&D, product development and design customization.

- SMEs play a crucial role in the development of the economy. They account for the bulk of enterprises and have a major role in job creation (66.2%). Yet, their contribution to total exports is just 17.3 percent in 2018. Such low exports reflected poor innovation, and a lack technology know-how, knowledge-intensive SMEs and skilled work force. Hence, the creation of innovative products that can compete in the global market is inhibited.

> "The bi-annual Business Conditions Survey for the first half of 2020 carried out by the Federation of Malaysian Manufacturers-Malaysian Institute for Economic Research (FMM-MIER) revealed that overall business activities were badly affected."

- The reliance on foreign unskilled workers should be viewed as a "stop-gap" measure to address the immediate needs of the economy. An over-dependence on them will undermine the incentive to invest in automation and employ technology in production. This will weigh on productivity, efficiency and living standards.

B. Lessons Learnt

- Black swan events like the pandemic are unpredictable and leave a long-lasting impact. Hence, there is a need to reassess, reconfigure and rebuild in future-proof ways. The Covid-19 pandemic showed the urgency to implement advanced technologies as it will provide flexibility and adaptability in the production system that will be able to cater for changes in global supply chains and demand.

- An urgency for automation, especially in labour-intensive operations, has emerged from this crisis. More firms need to automate their businesses with the support from stimulus and relief measures unveiled by the government. For instance, the adoption of advanced technologies in the agriculture sector would attract a younger workforce. The use of e-commerce in agribusiness would facilitate trade, reduce transportation risks and allow for wider market access.

- This crisis provided opportunities for SMEs, especially those with a strong innovation culture. The breakdown of global supply chains and the decision to move closer to home sourcing requires SMEs to re-position themselves. They need to re-strategise to become supplier for large companies and MNC production inputs - from components to complete solutions, including those related to embracing 4IR technologies such as robot and automation equipment.

  The government procurement of local innovative products and solutions also motivates SMEs to innovate and create new products for the market.

- The adoption of advanced technologies and embracing 4IR are a challenge for SMEs. More so after the companies were severely inflicted by the Covid-19 pandemic. Slow progression is evident in automation and embracing 4IR technologies due to tight cash flow, high cost of adoption and poor understanding on the benefits of 4IR technology adoption.

- Besides, for businesses to enhance their innovation capacity and produce products that are competitive, they need both internal and external knowledge. Lack of new knowledge is an obstacle to innovation. This impediment must be addressed through measures that strengthen the linkage between new knowledge providers, namely universities and research institutions, and enterprises whose role is to commercialise technology.

- The Covid-19 pandemic highlighted the serious lack of competence in product development. This has obstructed commercialization of local technologies due to competency gap. The competency gap must be addressed by developing knowledge-intensive SMEs (KSMEs), and attract global KSMEs. The aim is to promote learning and upgrade Malaysia's SMEs into KSMEs. Resources need to be prioritized to enhance SMEs' technological and innovation capacity that leads to creation.

- This crisis expedite the deployment of technology to future-proof SMEs businesses. It is done by making them more agile and adapt to the new normal. The adoption of advanced technologies, embracing of 4IR technologies, and creation of new technology-based solutions would provide a sustained resilience against future shocks.

- And this crisis has reinvented the workplace operations with the aim to minimize health risks to workers and customers. Many businesses shifted to remote work that requires further automation and digitalization of their workflow. Businesses that are unable to shift to remote work are expected to mitigate risks by replacing workers with machines.

C. Reset Agenda 2

R.2.1 Micro, small and medium enterprises' technological adoption and advancement

R.2.1.1 Establish regional 4IR centres (e.g. Industrial Technology Research Institute [ITRI], Taiwan) to provide comprehensive advisory, technical support and facilitation for MSMEs' technological adoption.

R.2.1.2 Establish dedicated tripartite (MEDAC-MOHE-MOSTI; revitalizing PPRN by MOHE) applied research and innovation programmes targeted at improving technological adoption of MSMEs.

R.2.1.3 Create cluster-based "Institution for Collaboration (IFC)" as a platform to improve networking for productivity enhancement and cluster competitiveness.

R.2.2 Agglomeration of 4IR SMEs as accelerators for advancement of technologies

R.2.2.1 Create dedicated investment promotions that specifically target technologically advanced, knowledge-based SMEs (domestic and global) as sources of growth for the future (as proposed in *The Future is Small*).

R.2.2.2 Introduce University-Industry Technopolis (e.g. Turkey's 45 Technopolis) with special locational and technology adoption incentives for SMEs, i.e. high-end SMEs on campus for dedicated technology advancement.

R.2.2.3 Elevate agglomeration of advanced technology activities to better optimize positive co-locational externalities by establishing 4IR SME parks with specialized incentives, a complete ecosystem and support.

R.2.3 Intensify creation and diffusion of 'Made-in-Malaysia' technologies

R.2.3.1 Provide collaborative-shared facilities (e.g. universities, technology parks, government research centres, etc.) for qualified technology developers and start-ups.

R.2.3.2 Establish "Malaysia Media Lab" (e.g. MIT Media Lab) to demonstrate the viability of "Made in Malaysia" technology and solutions through proof of concept (POC) and development of prototypes.

R.2.3.3 Government and government-linked companies (GLCs) to be "lead users" (demand creation) for technological advancement of "Made in Malaysia" technologies.

R.2.3.4 Introduce SMEs rating on technological and business readines to facilitate linkages with MNCs and global supply chains.

R.2.4 Strengthen innovation and technology ecosystems

R.2.4.1 Establish centralized research & innovation portals to bridge information gaps (and eliminate search cost) at all stages of innovation (lab to market) among researchers, innovators, startups, funders and mass-manufacturers.

R.2.4.2 Promote the development of new economy financing (e.g. angel investor, private equity, crowd sourcing, venture capital, etc.) to enhance availability and accessibility of risk capital.

R.2.4.3 Build competency talent pool for valuation and assessment of intellectual properties, technology and solution viability, startups innovative ideas, etc.

R.2.4.4 Aggressive grassroot innovation and technology adoption programmes targeted at sectors with a high presence of lowincome households, rural sectors, and Orang Asal and special needs communities, etc. (e.g agriculture, fishery, construction, cottage industry, etc.).

R.2.4.5 Undertake a comprehensive review of existing government policies to ensure they are aligned with the goal of promoting the use of advanced technology and do not perpetuate the existing resource-intensive, "cheap" economic model.

RESET 3

Positioning for a Shifting Global Landscape

A. Situational Analysis
B. Lessons Learnt
C. Reset Agenda 3

A. Situation Analysis

- This crisis happened at a point of time when global trade has already been easing impacted from the trade war tension between the US and China and increasing protectionism sentiments. The Covid-19 pandemic and government mandated restrictive measures further worsened the global supply chains, decimating demand and fueled unemployment. Almost instantaneously global supply and demand shocks led to a sharp drop in global trade, estimated to collapse by 9.6 percent in 2020 as projected by the International Monetary Fund (IMF).

- Malaysia, as a trading nation, was also impacted by the Covid-19 pandemic. Exports fell in the months of March (-6.5 percent), April (-24.9 percent) and May (-26 percent) in line with global GDP and trade. As the restrictive measures eased, global trade gained momentum. Commodity prices stabilised. Exports bounced back in the month of June 2020 and remained in the positive trend.

- Besides the global trade war, the Covid-19 pandemic fueled the anti-globalisation sentiment. Measures to limit trade more than quadrupled. Some countries resorted to curbing their exports of medical supplies and medicines. Exports of selected food items were also suspended.

- The Covid-19 pandemic exposed the weakness of Malaysia's foreign direct investment (FDI). It plunged by 68 percent to US$2.5 billion, according to UNCTAD. Comparatively, global FDI shrank by 42 percent to US$859 billion. Thailand's FDI contracted by 50 per cent to US$1.5 billion while FDIs in Singapore, Indonesia, and Vietnam registered declines of 37 per cent, 24 per cent, and 10 per cent, respectively. But the Philippines bucked the trend, with its FDI rising by 29 percent to US$6.4 billion.

- Appetite for non-equity modes (NEMs) of international products grew, especially where production is being increasingly outsourced under contractual arrangements. The NEMs require lower upfront capital expenditure, limited working capital and reduce the risk exposure. It is more flexible and adaptive to changes in demand. Heightened uncertainties, the Covid-19 pandemic risks, and scarcity of capital would continue to attract NEM activities.

- This crisis has further forced current supply chain strategies to be rebalanced from efficiency to resilience. It opened the door for more region-centric supply chains. This will require reconfiguration of the supply chains with the aim to avoid singlesource dependency. One-third of surveyed firms have or plan to move out of China within the next two or three years.

B. Lessons Learnt

- The use of non-tariff measures (NTMs) has somewhat slowed down global trade. It worsened following the outbreak of the Covid-19 pandemic. Thus, it is vital to address the protectionist measures given that uncoordinated protectionist policies will continue to alter trade performance post-pandemic. And this can adversely impact Malaysia's export growth opportunities.

- This crisis has intensified the urgency to enhance Malaysia's trade competitiveness. Trade processes including trade and custom facilitation need to be improved to reduce trade costs and expand the types of goods and services exported. This approach is being used by several countries to improve their trade performance during the Covid-19 pandemic. For instance, Indonesia and China have agreed to exchange certificates of origin electronically, while Vietnam has launched the Aviation National Single Window.

- To rebalance the negative impact of the Covid-19 pandemic on tourism and its related sectors, there is a need for better export product diversification. This includes the need to diversify services exports and seize on new e-commerce opportunities by leveraging on global e-commerce that has gained importance.

- It is essential for Malaysia to recognise the steady decline in FDI competitiveness amongst the regional peers. Indonesia overtook Malaysia in 2008, while Vietnam leapfrogged us in 2015. Though Thailand's FDI numbers fluctuated, it surpassed Malaysia in 2018. Malaysia must build comprehensive cluster ecosystems around five key industries namely the E&E, machinery and equipment, chemical, aerospace and medical devices. The adoption of advanced technologies will foster new supply chains, deepen the economic complexity, enhance competitiveness, reposition and reconfigure Malaysia's position in the regional supply chains.

- The Covid-19 pandemic has opened the door for Malaysia to tap into the global and regional relocation of FDI through more aggressive promotion and facilitation. Also, Malaysian can tap on selective FDI liberalization and the importance of "servicification" of manufacturing with the aim to enhance the quality of investments attracted.

- There is a need to strengthen Malaysia's participation in the non-equity modes (NEMs) of global production. Connectivity between our producers with MNCs who outsource their production activities must be strengthened.

C. Reset Agenda 3

R.3.1 Attracting quality investment and efficient investment-related decisionsand processes

R.3.1.1 Investment promotion strategies and incentives to be mapped and anchored on national investment aspirations (NIA) criteria, i.e. complexity and sophistication, skilled jobs, targeted industrial clusters, domestic linkages and inclusivity.

R.3.1.2 Develop coherent and well-coordinated national investment promotion strategies with common and targeted incentives and shared national KPIs by all IPAs (Team Malaysia) subjected to scheduled targets, reporting and evaluation.

R.3.1.3 Resetting of investment-related decision trees with transparent governance and adherence to clear, consistent and efficient approval process.

R.3.1.4 Attract high-quality global talents and industries, subscribing to freer mobility of data, products & services and talents with clear governance and process in introducing needed amendments.

R.3.2 Competitiveness of clusters and coordination for strategic growth areas

R.3.2.1 Strengthen national competitiveness through enhancing cluster density, co-location of related and supporting industries (RSI), and provision of complete cluster ecosystems.

R.3.2.2 Strategically position Malaysia in the global value chain with strong inter and intra-cluster networks, supported by comprehensive databank and business matching (B2B).

R.3.2.3 All relevant ministries "must be onboard", commonly subscribe to, and coordinate to align strategies and initiatives for the successful development of identified strategic growth areas (e.g. aerospace – MITI, MoHE, MOSTI, MoE, MoHR, DOSM, etc.)

R.3.2.4 Mandatory compliance for all industrial parks to meet national quality and standards governed by a centralized body (MyIndustrial Park - MIP).

R.3.3 Export diversification, promotion, and trade facilitation

R.3.3.1 Diversification of exports by targeting high-value and complex products and services, with a detailed map of global demand and the readiness of exporters.

R.3.3.2 Migrate from sector-based to capability-based strategies with a clear mapping of growth potential, and readiness of firms and workforce.

R.3.3.3 Establish comprehensive database of exporters for coordinated exports promotions across state and regional authorities.

R.3.3.4 Establish "specialized centres" to optimize gains from trade pacts (e.g. FTAs and RCEP) that are responsible for wide dissemination, intensive outreach and intelligence support.

R.3.3.5 Committed schedule to expedite customs facilitation by shifting towards paperless trading i.e expediting U-Customs to reduce trade costs and improve efficiency in cross-border trade.

R.3.3.6 Develop a single web portal as a referral point for all exporters and related agencies and the source for the latest market regulations, standards and certification requirements, tariff and duties, etc.

R.3.4 Enhancing pre-care and post-care investment facilitation services

R.3.4.1 Undertake annual investors satisfaction survey and continuous investors engagement sessions to improve and upgrade care services.

R.3.4.2 Mandate regional and state investment authorities to act as the last-mile ground facilitators with hands-on supports.

R.3.4.3 Commitment to structured and scheduled improvement in ease of doing business (EODB), tackling investment hurdles in transparent and speedier process.

R.3.4.4 Strict adherence to the agreed governance for the introduction of new rules, regulations and guidelines, including undertaking regulatory impact assessment (RIA) with sufficient engagements with all stakeholders.

Promoting Shared Responsibility, Good Governance, and Sustainability

A. Situation Analysis

- The Covid-19 pandemic unveiled clear evidence on the impact of both responsible and irresponsible actions on sustainable practices and the imbalances that pervade in our society. These include the balance between profit maximisation with environmental, social and governance (ESG) adoption across short- and long-term goals and objectives.

- Imbalances between profit maximisation and sustainable practices were evident in the case of treatment and welfare of lowly-paid labour, mainly foreign workers. Although the practice has been a concern prior to the pandemic, this crisis highlighted the direct and indirect impact of such unsustainable practices.

- Poor living conditions raised questions on the rights of vulnerable workers as they are at a high risk of Covid-19 infections. They formed one of the largest clusters. For example, the Teratai cluster that consists of largely Top Glove workers in Klang, reported 4,093 positive cases out of 6,526 tested, as well as clusters in Selangor Mansion, Malayan Mansion and Menara City One.

- This crisis showed the issue of social and governance with overcrowded prisons as a worrying trend. Many prisons operate beyond capacity and formed a major Covid-19 infection cluster. Prison facilities house 73,000 prisoners in spaces intended to hold 52,000 inmates only. This raised the question of the welfare of inmates that is guaranteed under the Federal Constitution (Article 5) and the risk of becoming another major cluster for the transmission of Covid-19.

- Meanwhile, the restrictive measures to contain the virus spread led to positive externalities to the environment. It showed how the environment and livelihoods at large benefitted. With industries, transportation and companies shuttered, it caused a sudden drop in greenhouse gases' emission and particulate matter that affect local (especially urban) air quality.

- Restrictive measures took a strong toll on the global aviation sector. During the first month of the MCO, the air pollution level measured by the Air Pollutants Index (API) fell by 14 percent. There was a 26 percent increase in the number of clean days. Thus, positive impact of restrictions to the environment is a wake-up call. It showed how human activity affected the environment and human health. It presented the need for more responsible behaviour and societal change that can result in better environmental and health outcomes.

- But the recovery from this pandemic and restrictive measures risks slipping back to old habits with environmental degradation as economic activities take precedence. For example, the reliance on revenue from natural resource base, especially at the state level, where the risk for revenue to fall will result in cutting measures for conservation with increased exploitation of natural resources. This resulted in an increase of water

B. Lessons Learnt

- The Covid-19 pandemic demonstrated that sustainable practices by all stakeholders are crucial for both the short and long term. To future proof the economy and society, there is a need for all stakeholders to implement sustainability as a shared responsibility. Material improvements in the environment during the MCO unveiled the impact of human socio-economic activity on the environment. A sustainable development model is vital and it must do away with a trade-off between economic progress and environment that has characterised much of economic development in the past.

- Businesses need to pay greater attention to sustainable and socially responsible practices through ESG. Governments, investors and consumers must scrutinise ESG practices more stringently. Businesses need to ensure their continuity. For example the US sanctions on Malaysian companies alleged to have infringed labour rights. The pandemic saw consumers regain their environmental and socially responsible consciousness.

- There is now a demand for businesses to adopt ethical and sustainable practices. This will impact companies beyond their top line. Market analysis suggests that sustainable finance products have outperformed the market. According to BlackRock, 88 percent of sustainable funds performed better than non-sustainable funds in the first quarter of 2020. The Morningstar reported that 51 out of 57 sustainable indices outperformed the broad market counterparts in the first quarter of 2020.
- A key challenge is to achieve a shift in business models, and stay disciplined and maintain the sustaining power. Ecosystems change over time in a slow ecological process rather than from a single event. The MCO-related shutdowns alone will not be able to restore the ecosystems, habitats and nature at large. A need for longterm commitment is vital to ensure sustainable growth. Policy certainty from the government will boost private sector confidence to undertake the necessary investments related to ESG.

- Conducive and holistic policies and effective implementation by the government is crucial to shift towards a more sustainable development model. It includes enhancing the enforcement of environmental protection. It continues to be a major challenge due to outdated legislation (i.e. Environmental Quality Act 1974). For instance, there is a lack of compliance and capacity for surveillance as evidenced by recent water pollution incidents.

- Achieving a shift in the development model can be better sustained if there is good stewardship and public participation on sustainability and environmental conservation by the community at large. There has been a lack of general awareness on sustainable lifestyles and opportunity for citizens to influence decision-making processes at the local level. And this pandemic revealed the strength and character of local communities through the #KitaJagaKita movement. Activities like community farming have flourished to ensure food security. Local communities role is vital to transition towards sustainability.

- Malaysia's economic activities remain fairly resource intensive. Our resource consumption doubled that of the global average i.e. 24.15 tonnes per capita compared to 12.18 tonnes per capita. Likewise, the material footprint intensity measured against GDP is above the global average at 2.1kg/GDP. It showed Malaysia is yet to achieve resource efficiency compared to the European nations average of 0.4kg/GDP.

- Covid-19 pandemic showed the importance in recognising nature as a form of capital, or asset. Nature should be regarded as a contributor to the socio-economic well-being through ecosystem services, other forms of capital, and labour services. Any degradation of natural resources will result in a reduction in the supply of ecosystem services and societal well-being.

- Focusing on resource-intensive model will leave the economy in a more vulnerable position from a national security perspective. Having outgrown the capacity of its domestic resource to support the resource-intensive economic activity, the resource-intensive model will become reliant on imports

- Moving forward, strategic intervention must be taken to initiate a mass movement as a transformative pathway towards sustainability and achieve the SDGs. The shared responsibility model needs to include leadership by the government, private sector, communities, civil society, academia and individuals. This requires structural interventions that influence the markets, namely market creation, development delivery i.e. community ownership and enforcement.

C. Reset Agenda 4

R.4.1 Embed green practices of government and businesses

R.4.1.1 Green government procurement to be mandatory for all government, government-linked companies, and state-owned enterprises (i.e., subscription and promotion of MyHijau)

R.4.1.2 Dedicated promotion and incentive packages to attract investment in Green Sectors (i.e Low-carbon technology, renewable energy, electric vehicle, etc)

R.4.1.3 Targeted programmes of research and development (R&D), innovation, and entrepreneurial capabilities to promote and facilitate adoption of green practices

R.4.1.4 Promotion of socially responsible investing (SRI) by mandating ESG compliance by the corporate sector based on national standards; accredited and widely used nationwide.

R.4.1.5 Positioning Malaysia to become a green financial hub.

R.4.2 Instilling community ownership and stewardship of local environment and natural resources

R.4.2.1 Emphasis on individuals and communities behavioral targeting approaches to sustainable living (e.g. lower electrical tariff for green waste disposal, cash-back to promote recycling at groceries, etc)

R.4.2.2 Enable and incentivize lifestyle changes towards smart living including through technological and policy interventions (e.g. incentivizing adoption of smart metering, installation of energy efficient technology, sensors, etc.)

R.4.2.3 Empower community as primary agents for promoting and surveillance for green living (e.g. community-based forestry (CBF) in indigenous communities, community policing, etc)

R.4.2.4 Promote low carbon mobility and circular economy as a way of life through education, enforcement of standard, and market creation (e.g. labelling of emission rating, authorized automotive treatment facilities, etc)

R.4.2.5 National agenda for low carbon public transport as prime mode of urban mobility (e.g. electric bus, bus rapid transit, transitoriented development – TOD, etc.)

R.4.3 Assuring decency and human dignity for all and balanced development

R.4.3.1 Mainstream the principle of human decency across all segment of society, including the private sector, by ensuring corporate governance complies with basic standards of human rights to ensure the rights of all workers, including foreign workers

R.4.3.2 Mandatory subscription for principles of good governance to be implemented and reported (i.e. ESG reporting) for all public listed companies as well as state owned and linked enterprises

R.4.3.3 Apply measurements to re-orient development goals beyond growth and income as yardsticks for development, in line withhuman well-being (e.g. Malaysia Sejahtera).

R.4.3.4 Promote and apply whole-of-society approach to protect and care for mental health and psychosocial well-being.

R.4.3.5 Ensure access to mental health support at all levels of society, including at the local community and family development level, in particular, the most vulnerable communities.

Preparing Future Workforce

A. Situational Analysis
B. Lessons Learnt
C. Reset Agenda 5

A. Situational Analysis

- The government mandated restrictive measures to contain the virus spread took a heavy toll on the labour market. This was reflected by the month of May unemployment rate which spiked to 5.3 percent to reach almost the levels in 1985of 5.6 percent and 1989's 5.7 percent. The highest unemployment rate reported since the figures were made available in 1982 was 7.4 percent in 1986.

- As a result of the unprecedented restrictive measures, the number of people unemployed rose quickly. In March 2020, it was at 610,500. The extension of the MCO to April 2020, caused the number of unemployed people jump to 778,800 and peaked at 826,100 in May.

- A key point to note is that the restrictive measures to contain the virus spread resulted in a significant loss in temporary jobs. The number of people who were temporarily out of job reached a high at 4.87 million in April 2020. But the numbers improved following the easing of the restrictive measures in May. The number fell to 2.27 million.

- The Covid-19 pandemic also exposed weaknesses in the underemployment segment. This segment take into account those who are employed and work less than 30 hours during the reference week. It is due to the nature of their work or insufficient work. And they are included in the "employed" category. In second quarter of 2020, skill-related underemployment rose to 36.6 percent from 34.8 percent as at end-2019. Bulk of them came from the services sector, making up 73 percent, followed by industries (mining & quarrying, construction and manufacturing) accounting for 20.6 percent and the balance from the agriculture sector.

- Looking at the age profile, almost 45 percent of the skill-related underemployment are from the age group of 25–34. About 21 percent are from the age groups 35–44 as well as those below 24 years old. This trend poses a serious concern over the future labour force.

- Another area of concern in the labour market unveiled from this pandemic are those affected by wages/salary cut. There is no data to show the percentage of workers under this category and their economic conditions. And this group does not fall under underemployment or unemployment.

- The pandemic has upended the world of work. It caused a significant impact on jobs and livelihoods. The well-being of workers and their families especially women who are concentrated in the highly exposed sectors are at risk. The impact is disproportionate among those who are already in precarious circumstances versus those who can weather the additional blow.

- And this crisis exposed the acceleration of new work patterns. Work from home is the new norm. It is for jobs that can be done remotely, away from the office. While this is possible for higher-skilled jobs, the lower-skilled jobs are more vulnerable. This crisis highlighted the challenges and struggles experienced by those in the informal sector. They are the "blind spot" in the government's statistics.

- This pandemic elevated concerns on the skills mismatch that has been a persistent issue, particularly among fresh graduates who fail to meet industry requirements. Many employers raised concerns that graduates with high technical competencies somewhat lack soft skills such as critical thinking, creativity, innovation, communication and collaborative skills. Low skills stemming from the current education system have failed to match the market needs. Malaysia's education system churns out 300,000 graduates every year. And the country has the highest unemployed graduates in ASEAN.

- Covid-19 pandemic-induced restrictive measures exposed the risk and challenges on migrant workers. With around 2.0 million documented foreign workers (14 percent of the job market), some are unable to work, while others continue to work in essential services. They are exposed to common violations like unfair termination, unpaid wages, poor living conditions and uncertain employment status. They come from the pool of workers needed to carry out the "3D" (dirty, dangerous, difficult) jobs that Malaysians refuse to undertake.

- A key point about this pandemic and the unprecedented measures taken to contain the virus spread is the closure of schools and academic institutions. It caused a massive change in the lives of children and families. Educators are forced to seek ways to provide distance learning. It raised concerns over the continuity of students' education. Through online learning programme, students are allowed to study from home. Such learning does not motivate students to study independently nor address problems related to learning difficulties like attention deficit disorders, etc.

- The pandemic exposed the digital divide with online learning. It showed the unequal access to technology, both in terms of devices and internet connectivity amongst communities. Children with poor access to digital learning facilities are usually left behind in their education.

B. Lessons Learnt

- Prior to the Covid-19 pandemic, issues such as high youth unemployment, workers' skill sets and changing technologies are discussed actively. This crisis only expedites the need to address these issues. Failure to do so will weigh on the future path towards sustainable growth.
- This crisis showed the need for businesses to have a digitalization plan. This means a need to change the job market and cater for new skill sets demand. And there is a necessity to establish ways to reinvent work as some jobs would be disrupted and the way some jobs are carried out. A major hindrance would come from the poor innovation skills and low interest in science and technology.
- Employability of youth and employment are severely affected by this pandemic. Job patterns have shifted from lifetime or long-term fixed employment with a single employer. New job structures are emerging where the nature of work requires a more entrepreneurial mindset skill. There is a need for urgent policy response. Failure to do so would result in social and economic issues.
- The pandemic exacerbated the skills mismatch imbalances. With sourcing and production moving closer to end users, the global supply chains are expected to restructure with companies moving to localise and/or regionalize. Hence, the skills set will shift to where they are needed.
- The impact on disadvantaged ethnic minorities and lower-income individuals during this crisis elevated. It magnified the social and economic inequality from this group owing to poor access to healthcare, face higher infection risk due to their reliance on public transportation, and being unable to socially distance in the workplace.
- Weaknesses of the education system have been further exposed in this crisis. Education must be revamped and designed to increase the employability of the future workforce. Foundational literacies, competencies and character qualities need to be included in the school curriculum. Besides, the workforce must be equipped with 21st century skill sets required by industries and is flexible and nimble to adapt to the changing landscape.
- The pandemic unveiled the need to "reset" Malaysia and have a "mutual benefit" plan. Both the public and private sectors need to work together to alleviate unemployment, boost skills and ensure inclusivity with no one being left behind. All parties should strive in "togetherness" to reconstruct and establish a dynamic labour market.

C. Reset Agenda 5

R.5.1 Nationwide 'Reskilling Malaysia' campaign

R.5.1.1 Embark on a nationwide upskill and reskill programme that is accessible to all working-age population.

R.5.1.2 Establish official quality assurance system (e.g. MQA) to approve all upskilling and reskilling trainers and courses (offered by public and private institutions) to ensure suitability and a good match for the future landscape.

R.5.1.3 Incentivise reskilling by providing e-vouchers to all Malaysians aged 25 (with a 5-year interval) to attend approved upskilling and reskilling programmes.

R.5.2 21st-century schools that nurture talents for the future

R.5.2.1 A comprehensive revamp of the national curriculum to encompass 21st century foundational literacies, character qualities and core competencies.

R.5.2.2 Formalise teaching and evaluation on building competencies on critical thinking, creativity & innovation, enterprising qualities, communication and collaboration, i.e. core skills for the future workforce.

R.5.2.3 Enable teachers to solely focus on core teaching and learning by reducing administrative duties.

R.5.2.4 Teachers to be equipped with the latest skills and competencies in line with the new economic landscape (e.g. digitalization, application of technology, entrepreneurial skills, etc.).

R.5.2.5 Introduce a. dual-assessment system for students, i.e. school based assessment and national exams.

R.5.2.6 National exams to be detached from school performance assessments.

R.5.2.7 Building an ownership culture by empowering local communities as active partners to educational institutions through experimentation of new schooling model (e.g. partially delegated-school model with a direct involvement of the local community).

R.5.2.8 Incorporate local content and knowledge (including culture, arts and craft, norms and values) in the delivery of education.

R.5.3 Institutional & operational innovations by higher learning institutions (HLIs)

R.5.3.1 Revisit universities' performance assessment framework to align it to university-specific mandated missions, scholarly and nonscholarly impact (e.g. employability, innovation, societal, industry and policy etc.).

R.5.3.2 Mandating operational and strategic initiatives of higher learning institutions in accordance with the quadra-helix framework (i.e. collaboration of academia government-industry-community).

R.5.3.3 Redirect initiatives and programmes to improve the quality of graduates at the root via faculty, curriculum and pedagogyfocused interventions.

R.5.3.4 Mandating faculty-industry collaboration through institutional partnerships in curriculum design, teaching & learning activities, internships, and evaluation.

R.5.3.5 HLIs to challenge traditional practices and explore, experiment and adopt new institutional models, and structure rearrangements that suit the new landscapes (e.g. multidisciplinary programmes, guided "choose-your-own curriculum", minimum bureaucracies to change in-programme syllabus, mandatory industry attachment for academia, etc.).

R.5.3.6 Scheduled commitment to increase financial independence among established universities (starting with research
universities) through the monetization of assets and intellectual strengths.

R.5.3.7 Replace conventional operational methods with innovative approaches in delivering higher education beyond traditional programmes (executive courses, micro-credentials, open platforms, etc.).

R.5.3.8 Introduce governance and a fixed schedule to review university fees to set proper matching with fair cost and programmes' quality with the assurance of accessibility for students of lowincome households (e.g. by adopting an income-tiered fee structure).

R.5.3.9 Extend the official retirement age (e.g. optional to a maximum of 70 years old) or introduce attractive contract/endowment schemes based on merit-based criteria for selected and proven high-talent academia.

R.5.4 Efficient, planning, and productive labour market

R.5.4.1 Commitment to specific time and sector targets to reduce the employment of foreign unskilled workers, with an agreed publicprivate plan.

R.5.4.2 Embark on dedicated "Reversing 3D" (dirty to clean, dangerous to safe, difficult to easy) solution-driven innovation programmes targeting specific labour-dependent sectors.

R.5.4.3 Introduce "Technology for Labour" incentives to existing employers for commitment to lessen the employment of foreign unskilled workforce.

R.5.4.4 Eliminate cost advantage (i.e. low wages and abusive costreduction gains) of foreign over domestic workers by imposing additional punitive fees and enforcing employers' compliance on the rights of foreign workers.

R.5.4.5 Establish Talent Partnership Council (TPC) involving publicprivate-society representatives for better planning, training and matching of talents for the future.

R.5.4.6 Strengthen and expand the MyFuture job portal to be a preferred central platform that provides job placement services for job seekers and employers, automated competency assessment, link to training programmes, job counselling and the latest info on the labour market and industry trends (i.e. vital high-demand occupations' list, sunset industries and emerging trends).

R.5.4.7 Strengthen labour market efficiency by emphasising education on labour rights and grants/supports to enhance professionalism and productivity-focused labour unions.

R.5.4.8 Synchronize data links of SSM-EPF-SOCSO-LHDN for comprehensive labour data and full coverage of social protection for all workers.

Strengthening Public Deliveries & Promotion of Competitive Market

A. Situational Analysis
B. Lessons Learnt
C. Reset Agenda 6

A. Situational Analysis

- Public service was disrupted by the Covid-19 pandemic and the restrictive measures to contain the virus spread. Temporary closures of government offices stalled public services and affected vital needs. For example, schools and universities were closed as they were considered as non-essential services. And the migration to online service provision such as teaching was constrained by poor internet access and devices. A survey by the Ministry of Education unveiled 37%, or about 900,000 students who were affected by school closures failed to follow online lessons due to poor internet access.

- The pandemic revealed the impact of poor internet connectivity and lack of digital tools. It hampered arrangements to work from home. While 90% of civil servants have online access with about 80% connected to the internet, that access is mainly through mobile networks with limited coverage.

- This crisis demonstrated the lack of government's preparedness to respond effectively to the challenges. Without any clear roadmap, public servants were forced to improve along the way to respond quickly to an ever-changing situation.

- There is a need to improve synchronization and coordination between the federal government, states and NGOs. This will improve public deliveries with greater level of efficiency.

- Poor social capital hindered the public service from fostering greater engagement with the private sector and civil society. For example, while civil society organisations responded swiftly to public calls for help during the pandemic, they ignored government's directives to channel aid and food to the Welfare Department for centralized distribution. While private hospitals were forthcoming with their ventilators, the government did not bring them in at the outset in the treatment of Covid-19 cases. There is a need for strong connection with society, making businesses and NGOs natural partners in the government's endeavour to tackle citizens' problems.

- Financial distress emerged in many businesses, regardless of their size, ownership and nationality. More than 30,000 small and medium-sized enterprises (SMEs) ceased operations between March and September 2020, and even larger companies such as airlines faced financial distress. While stimulus measures were announced in the form of various financial relief packages to support business, the concerns are whether such well-intentioned assistance reached the distressed companies or will the aid unintendedly provide support to the inefficient ones to remain operating in the market.

- Additionally, there was little effort, by way of merger and acquisitions, to help financially distressed companies. The Competition Act 2010 lacks merger control provisions to ensure that industry consolidation activities will not have the unintended consequence of distorting the market in the future.

- Covid-19 pandemic exposed the regulatory gap in public deliveries. In particular, the challenges faced by the government in a set of policy trade-offs as it develops the regulations involved at nearly every stage, and this impacted the ability of public deliveries to continue functioning. This can be seen in the constantly changing restrictions on work, play and freedom of movement, and especially the opening of businesses (when, operating hours, number of people allowed, etc.).

- This crisis revealed the government's preference to traditional regulatory instruments, especially when addressing price distortions in the market. It could be due to the government's familiarity with such instruments where some of which have been in use since the pre-independence emergency period. This shows the government's confidence in the established standard operating procedures. But this crisis showed such instruments are vulnerable to information asymmetry, high enforcement and monitoring costs, and potential absences of regulatory capture.

- The pandemic exposed the need to avoid regulatory obstacles in the existing framework. The aim is to reduce precious time being lost, serious delays and effective approaches being abandoned altogether. To ensure a smooth flow of public deliveries, the compliance standards need to be raised higher.

- Besides, regulatory policies must include the best practices to safeguard individual rights, achieve desired outcomes with the lowest possible economic and social cost, and reinforce the public trust and legitimacy of public administration decisions. Potential consequences of regulatory (or non-regulatory) decisions are far more widespread during a crisis than normal times with a significant impact on economic and social recovery. It can impact the levels of resilience to future shocks and crises.

- The pandemic promoted growth of new economic sectors such as e-commerce and digital marketing. It was borne out of necessity as restrictive measures changed consumer behaviour. Yet, such opportunities in these new areas showed the complexity of interactions amongst the various regulatory instruments. It could be under the purview of different authorities and government agencies at different levels of the government (federal, state and local).

B. Lessons Learnt

- Civil servants' efficiency came into question during the period of restrictive measures. Poor internet access must be remedied to ensure public services are not disrupted in the future. Additionally, innovative solutions for alternative methods for service provision need to be pursued.

- A lack of inter-agency coordination across the tiers of government hindered the ability to be cost-effective in-service delivery. A government network that allows strategic collaboration within the public sector and across civil society to deliver public services is essential. The public service sector will need to build and enhance trust with the private sector and community to forge greater engagement to design and deliver public services.

- Poor data sharing, inadequate digital infrastructure, and a lack of tools to work from home impeded civil servants' performance. The drop in civil servants' performance during the Covid-19 pandemic weighed on the private sector's productivity. There is a crucial need to reform public institutions. It will enhance service delivery, promote the speed and efficiency as well as cost effectiveness. The creation of a central data depository for greater cross-agency data integration and sharing is essential for evidence-based decision making.

- Government intervention through regulatory means raises longer-term issues. Much of the government intervention has been on an ad-hoc basis to contain a situation rather than as part of a broader plan to address shortcomings in the market structure. It is imperative to ensure that the interventions would not lead to an anti-competitive environment or unintended market distortions that undermine consumer welfare in the long run.

- This crisis exposed the need for emergency-time economic regulatory instruments to address crisis-period economic challenges. There is a need to create greater buyin on the importance of a competition policy. It should rank in equal importance with other government policies like industrial and public procurement policies. And there is a need to migrate from the traditional to a more updated regulatory instruments like competition law. Current regulatory needs must be addressed by amending the relevant regulatory instruments. Regulatory institutions and capabilities must be strengthened for greater inter-agency collaboration in regulatory enforcement.

- The pandemic has brought forth the complexity in managing the role of the government in the market. Lessons learnt from previous crises showed that nationalizing businesses merely added burden to the government's fiscal position. Our current fiscal position is under pressure to fund higher priority public goods such as public health and education as the result of this pandemic. The pandemic has highlighted the fact that the government must focus on what it does best – policymaking and regulating to facilitate and support business activities and leaving business operations to the private sector.

- This crisis revealed the need for flexibility among regulatory authorities to enforce regulatory procedures and processes. They should be more technology-savvy to interact with businesses and address the deadline issues for submissions of required documents.

- Rising fiscal deficit from the stimulus spending to support the economy due to the pandemic will eventually have to be contained. There must be greater operational efficiencies to reduce costs through better service improvements that can be monitored through a performance management system.

- New revenue sources should be identified by revising the charges imposed for public services. While keeping services affordable, especially for the vulnerable and poor segment of society, the charges should reflect the cost-of-service provision. Subsidies should be targeted for the benefit the poor and vulnerable

C. Reset Agenda 6

R.6.1 Enhance operations and cost of public institutions, and commitment to delivery targets, execution of plan and cost efficiency

R.6.1.1 Strengthen coordination across ministries and agencies through effective empowerment of sectoral senior ministers (e.g. economy, social, security, infrastructure, education) and new alienations of public bureaucracies.

R.6.1.2 Set up a national taskforce composed of representatives from public and private sectors to develop a new performance evaluation and monitoring system for the civil service.

R.6.1.3 Appointment of performance appraisal panels comprising experts and prime stakeholders to evaluate the achievement of operational targets and ultimate outcomes.

R.6.1.4 Strict adherence to the governance and fixed schedule (e.g. every 5 to 10 years' interval) on the issuance of ministry/agency-level master plan/ blueprint/roadmap.

R.6.1.5 Establish a dedicated office in all ministries and agencies to increase financial alertness and spending discipline and enforce accountability measures in civil service.

R.6.1.6 Adoption of "fair charges" for public services (i.e. tiered charges along income brackets) in place of a one-for-all pricing scheme, cost-effective subsidies

R.6.2 Strengthening quality of civil workforce and innovative delivery model to deliver public services

R.6.2.1 Dedicated programme and career pathways to attract the best talents into the civil service.

R.6.2.2 Develop the best talents in civil services with sector specific specialisation (e.g. social, education, economic, science & technology, international relation, etc.) and ensure suitable talent matching and clear succession planning.

R.6.2.3 Adopt a new delivery mode (governing by network) that leverages the public-private-societal network to deliver public services, i.e. the days of government "knows all and do all" is over

R.6.2.4 Enhance the level of trust and skills of civil officers to engage, manage and expand the public-private-societal network.

R.6.3 Data-driven policy and innovation in public service

R.6.3.1 Establish a central data depository (MyData) to coordinate data compilation, scope and definitions, and updating and dissemination of data.

R.6.3.2 Strengthen the Open Data Policy to encourage data sharing to overcome barriers among ministries/agencies and ensure "hassle-free" accessibility to relevant parties (public and private).

R.6.3.3 Set up a national taskforce to improve the ranking on the Open Data Barometer (a global measure of how governments are publishing and using open data for accountability, innovation and social impact) targeted at clear end outcomes.

R.6.3.4 Continuous improvement and innovation of public services through the initiation of a "public service sandbox" accessible to the community of innovators.

R.6.3 Data-driven policy and innovation in public service

R.6.3.1 Establish a central data depository (MyData) to coordinate data compilation, scope and definitions, and updating and dissemination of data.

R.6.3.2 Strengthen the Open Data Policy to encourage data sharing to overcome barriers among ministries/agencies and ensure "hassle-free" accessibility to relevant parties (public and private).

R.6.3.3 Set up a national taskforce to improve the ranking on the Open Data Barometer (a global measure of how governments are publishing and using open data for accountability, innovation and social impact) targeted at clear end outcomes.

R.6.3.4 Continuous improvement and innovation of public services through the initiation of a "public service sandbox" accessible to the community of innovators.

R.6.4 Promoting ease of doing business and pro-market interventions

R.6.4.1 Strictly enforce the governance and compliance to systematic processes in introducing new regulations, guidelines, including in undertaking the regulatory impact assessment (RIA).

R.6.4.2 Commitment to specific targets on lessening regulatory burden through a well-structured and scheduled comprehensive regulatory audit.

R.6.4.3 Promote and strengthen MPC's Unified Public Consultation portal (UPC) and MyMudah platforms with specific governance of addressing EODB-related issues.

R.6.4.4 Prioritize the role of market facilitator over market player with the adoption of "private first" policy with a strong adherence to non-distorting interventions.

R.6.4.5 The government's direct involvement in business is strictly targeted at national strategic interests and addressing market failures.

R.6.4.6 All affirmative programmes to be guided by a well-defined and committed goal in line with national aspirations.

R.6.4.7 Scheduled monitoring of implementation and transparent reporting of affirmative programmes.

Attending Vulnerable Communities & Mainstreaming the Third Sector

A. Situational Analysis
B. Lessons Learnt
C. Reset Agenda 7

A. Situation Analysis

- The pandemic exposed many low-income families and their inability to cope with this crisis. They are the vulnerable communities. Among impacted by the Covid-19 pandemic, the highest risk are the ones from the marginalised socio-economically – women and children, elderly, disabled, adolescents, youth, indigenous, refugees, migrants and the minorities.

- Among this susceptible group, which is the urban poor, weakness was unveiled. They are the group with the lowest paying jobs, fewest financial resources, living in high-density areas and overcrowded flats that are exposed to the risk of infection. This group is largely from the informal sector. Their work requires physical presence to earn a much-needed income. Not working means not having money for food.

- For instance, Sabah is certainly a big challenge. It is the poorest state with inadequate infrastructure, low education levels and a high cost of living for rural folk with stagnant salaries. A study by Bank Negara Malaysia (BNM) showed a single adult living in the Klang Valley will require at least RM2,700 a month in 2016 to have a dignified life. A married couple with two children need around RM6,500. The rural community also experienced intense financial pressure exacerbated by poor demand for their commodity products.

- Restrictive measures to contain the virus spread affected about 94.8 percent of households with earnings less than RM2,000 a month and 71 percent of the selfemployed. Their savings could sustain them for about a month. Though measures were introduced i.e. temporary cash transfers to help sustain their domestic consumption, these were merely quick fixes and not sustainable.

- A huge gap emerged between the urban and rural poor. Loss of income raised their poverty levels. Children missed meals and school. Access to healthcare was reduced. They lacked access to quality institutions, and unable to participate in the digitalization of micro businesses. They are trapped in a vicious poverty cycle as inequalities worsen. Those left behind become more destitute. A rise in domestic violence cases, driven mainly by financial problems, amplified the social stress.

- This crisis exposed the uneven impact on the community's ability to respond to the crisis. It raised the risk of rising inequalities. And the restrictive measures posed serious concerns on those who are already isolated due to physical or mental health, addiction, homeless or domestic abuse. The community and voluntary sector have become more important than ever.

- Meanwhile, the crisis has put a spotlight on the spirit of volunteerism and the 3rd sector's potential. It showed the importance of this sector and how it can complement the government's efforts. However, it risks being ineffective with patchy coverage due to lack of a formalised response system and data.

- With a large number of NGOs registered, to create greater level of efficiency, they should be put together to help reach areas where the government is unable to do so. For instance, during the period of restrictive measures, the Welfare Department drew new guidelines that allowed NGOs to distribute food and services to those in need. It enabled more than 120 organizations like Amal Relief and Kembara Kitchen to continue operating. Gerai OA and the the Centre for Orang Asli Concerns (COAC) tapped into the MyKasih cashless food aid programme.

- Spontaneous and organised mobilisation as a social movement (*#KitaJagaKita, #KitaBantuKita*, Open Source Community Fight against Covid-19) came to the forefront with the private sector mobilisation by The Edge Media Group raising RM25.28 million. The efforts by GLC/GLIC Disaster Response Network (GDRN) resulted in it raising RM95.4 million.

- Special grants to B40 communities who are vulnerable, marginalised, underserved, the *Orang Asli* and *Orang Asal* communities were allocated to 42 organisations. These impacted 115,000 direct beneficiaries through Yayasan Hasanah and the Ministry of Finance.

- In an effort to shift from relief to development grants, up to RM250,000 per project for a 12-month delivery period for vulnerable communities (refugees, aging community, the homeless, at-risk children, people with disabilities and people with special needs) were made available.

- Civil society organisations (CSOs) established the Malaysia Covid-19 Coordination & Action Hub (MATCH) to strengthen partnerships between the government, civil societies and corporate sector. There is a big potential to enhance this structure. Despite the sector's potential, it is still difficult to determine the true impact and its contribution to the economy. The role and contribution of this sector to the overall economy appear less significant. This posed strong challenges to develop policies that can effectively address what the sector entails.

B. Lessons Learnt

- The pandemic exposed a lack of an established national social protection system. It hampered the poor and vulnerable, who include children, mothers and special groups from receiving support. They have limited access to effective communication to prepare against the pandemic. Messages have failed to reach them in a meaningful and timely manner. They do not benefit from surveillance, early-warning systems and access to health services for testing. For instance, the Orang Asli communities' decision to move inwards from their settlements could be a desperate act of self-preservation.

- This crisis showed that the nature of work in the vulnerable group does not fit in with work-from-home arrangement. It resulted in a feeling of helplessness, more so, if they are the sole breadwinners. With the fear of losing their jobs, added with low or no savings, this group tends to resort to loans from moneylenders or loan sharks who only add pressure to them.

- The pandemic showed children in this group are exposed to the risk of disrupted education. The fate of these children is unknown. Closures of school have a wide range of adverse impact. It interrupted learning and human interaction, both important elements for social and behavioural development. Children from at-risk families lose nutritious meals and the safety zone provided by schools.

- On the 3rd sector, there is a need to see how the public sector can be a partner in the development process and enhance its complementary role. Ministries and agencies must engage with the 3rd sector directly. The current mode of ad-hoc engagement should be transformed through a formal structure and process.

- This crisis showed the importance of the 3rd sector to improve its co-ordination among various parties. Its involvement must shift to being one of genuine partnership with the government. To strengthen the contribution of this sector, it need to move beyond consultation to open sharing of data, as well and joint decision making and implementation.

- There is a need to strengthen the capability, quality of services, professional practice and competencies standard. Such professionalism provides new job opportunities in social work – a caring profession, community development work – that includes social entrepreneurship and community enterprise. It also addresses the lack of national capacity-building or training efforts for those working specifically in the 3rd sector.

C. Reset Agenda 7

R.7.1 Establishment of National Social Protection System

R.7.1.1 Establish a National Social Protection System (NSPS) in place of the cu rrent programme-based approach.

R.7.1.2 Mandate all social protection programmes to be approved and registered by the NSPS for effective coordination and consolidation across all government agencies.

R.7.1.3 Adopt micro-targeted qualifying criteria (recipient-specific support) to ensure support precision and prudent budgetary controls.

R.7.1.4 Establish a centralised data centre for systematic compilation of micro information (i.e. income, education, housing, health, etc.), accessible to all and functioning as a national referral for social protection.

R.7.2 Goal-driven productivity-based support programmes to uplift vulnerable communities

R.7.2.1 Design social assistance programmes with clear structure and well-defined operational targets and end goals.

R.7.2.1 Commitment to "exit target" for recipients with productive capabilities based on specific progress indicators for sustainable uplift of the quality of living.

R.7.2.3 Localization of intervention programmes led by the third sector to replace one-size-fits-all programme design.

R.7.2.4 Incentivize local champions (e.g. give home town tax incentives) and adopt and support "local problems-local solutions" programme design to promote local ownership of problems, solutions and execution.

R.7.2.5 Emphasize "habitat-based" development model (i.e. "think beyond providing home" – optimizing neighbourhood positive externalities) for the relocation of urban low-income households (PPR 2.0).

R.7.2.6 Establish public-private social enterprise challenge grants (e.g.RM1 to RM1) to promote the economic wellbeing of low-income households through collective and shared productive activities involving corporate, the 3rd sector and local communities.

R.7.3 Formalise the role of 3rd sector as partners in development

R.7.3.1 Formulate a national policy for the official recognition of the role of the 3rd sector as partners in development.

R.7.3.2 Establish a clear governance (formation, finance, reporting, monitoring, accreditation, etc), scope of involvement, and a 3rd sector national referral centre.

R.7.3.3 Formation of a multi stakeholder partnership coordination taskforce for the 3rd sector at the federal, state and district levels.

R.7.3.4 Introduce training and educational programmes to strengthen the 3rd sector's capacity and social work professionalism.

R.7.3.5 Develop a standard template for systematic impact assessment and evaluation of community-based transformation projects.

R.7.3.6 Develop a dedicated 3rd sector web portal to enhance sharing of best practices and to promote collaborative initiative amongst the 3rd sector organizations.

R.7.3.7 Set up a national grant to support advocacy-based 3rd sector (e.g. SDG, Science & Technology, Democracy, and etc.) through competitive bidding with stringent performance and impact evaluation.

Corporate Recovery & Reform

A. Situational Analysis
B. Lessons Learnt
C. Reset Agenda 8

A. Situation Analysis

- The pandemic has caused severe disruptions in global supply chains. While some companies benefited from this pandemic, a majority struggled. Corporate earnings in many industries deteriorated from supply chain disruption, lower demand, high unemployment, weak consumer sentiment and business confidence.

- Also, some businesses had to shut down irrespective of the size (big or small) due to their inability to sustain operations. It translated into job and income loss to many individuals and communities. Though unemployment reached 4.8% in November 2020, an improvement from 5.3% recorded in May 2020, it is still elevated.

- The impact from this crisis saw the emerging markets in ASEAN (Indonesia, Malaysia, the Philippines and Thailand) experience significant foreign outflow. Malaysia's percentage of foreign shareholding value (of overall market capitalisation on Bursa Malaysia) fell to 20.7 percent as at end-December 2020, a decrease of 1.6 percentage points from 2019.

- During this crisis, some distressed companies like those in the aviation or travel/hospitality industries found it tough to obtain financing to sustain or turn around their businesses. Furthermore, the existing insolvency framework remained unfavourable to private rescue financing. The impact on earnings showed companies need support to weather this crisis and build a future-ready orporate Malaysia.

- A key point to note is that even without the Covid-19 impact, public listed companies (PLCs) earnings performance has been relatively lacklustre. Based on an analysis of 41 major PLCs (accounting for about 60% of the total market capitalisation) in key sectors between 2004 and 2015, the PLCs performance was on an upward trend despite the market downturn in 2008. However, from 2016 to 2019, the PLCs' key profitability and other growth ratios declined.

- Possible factors for the weaker earnings performance by some of the PLCs include a relatively slow progress of local businesses to innovate and raise productivity or move up the value chain. The pace of advancement to enhance product diversity and complexity is slow compared to regional economies like China and Vietnam. Since mid-2000s, both China and Thailand overtook Malaysia in terms of theEconomic Complexity Index ranking.

- Prior to the Covid-19 pandemic, certain PLCs reported two consecutive years of financial losses due to challenging market dynamics and competition. A total of 149 Main Market-listed PLCs across various sectors with total market capitalisation of some RM31 billion suffered two consecutive years of financial losses in the years 2018 and 2019. The pandemic will likely intensify these PLCs' financial weakness and drag more companies into the red in financial years 2020 and 2021.

B. Lessons Learnt

- The pandemic has in some case raised the banking institutions' risk of delinquencies or defaults. Hence, a more facilitative capital market will complement the banking institutions financing by broadening the funding sources for businesses. Through greater flexibility for the PLCs to raise funds via the capital market, it will ease their cash flow issues.

- PLCs were hit hard on their operational issues like raising working capital and addressing the bank borrowings repayment in this crisis. Providing flexibility and facilitating a faster track in various fund-raising modes or processes will help the affected PLCs meet their capital and financial needs. For instance, raising funds through rights issues is a popular way for PLCs to meet their capital needs. At present it takes 5–6 months to complete a rights issue exercise. It poses risk to the PLCs and heighten uncertainty for companies that seek financing.

- This crisis saw the PLCs experience short-term financial and liquidity challenges.Some PLCs might experience difficulties to raise funds in uncertain market conditions and with impacted financial results. An alternative, as well as quicker and more cost-effective restructuring or insolvency processes for businesses need to be unveiled compared to the current rigid and one size fits all approach. For instance, invite fund managers and high net worth investors who are keen to provide capital in a more sophisticated regime to distressed businesses.

- Some PLCs might seek to acquire new profitable assets (outside their core business/industry) to turn around their overall financial performance from the impact of this pandemic. It would be useful to provide catalysts or mergers & acquisition (M&A) flexibilities for these PLCs to revive their businesses and improve their financial positions.

- This pandemic revealed Malaysia has a deep equity market. But further liberalisation or ecosystem developments would allow PLCs to create more value to investors and the nation. The crisis showed many businesses were underprepared for such large-scale global disruptions. Those who lacked agility or diversification were the most impacted. Cultivating strong governance in the PLCs would help ensure sustainable management of physical, social and natural resources to maintain and secure growth for the future.

- There is a need to strengthen talent to become better stewards of the PLCs. Given the significant challenges and waves of changes such as the unprecedented pace of technological advancements, there is an increasing demand for PLCs to be led by highly competent, dynamic, diverse and future-ready boards/directors. There are about 6,500 board of director positions in Malaysian PLCs.

- To ensure PLCs are led by directors who are "fit and proper" and be able to effectively discharge the roles entrusted to them, the following challenges must be addressed:
    - Ensure PLCs only take in truly professional directors. Many potential candidates are chosen from the existing directors' and/or major shareholders' own networks.
    - Overcome the shortage and difficulties in getting quality candidates to become directors of PLCs.
    - Improve the certification programme that provides a clear and structured path for the development of professional directors.
- The pandemic showed that robust PLCs with compelling growth stories and promising performance will be the core for a vibrant capital market. There is a need to develop an effective way to attract foreign equity flows. PLCs require a more solid overall and relative earnings growth. This has been absent in the last decade, especially in larger cap companies. Therefore, it is important to accelerate the economic recovery process and steer towards sustainable growth.
- Given the serious repercussions from this pandemic on business operations and economy, there is a need to alleviate the immediate funding and cash flow constraints as well as broaden the investment and wealth creation opportunities for investors. It is important to drive medium-to-long-term corporate reforms and push for transformation to create more dynamic, competitive and resilient PLCs.

C. Reset Agenda 8

R.8.1 Special financing fund to support PLCs

R.8.1.1 Set up a special financing fund aimed at improving the equity structure of PLCs that are affected by the Covid-19 pandemic. This fund would:

- provide support to PLCs with good track record to enable them to bounce back from setbacks posed by the Covid-19 pandemic;
- maintain overall market confidence and facilitate/speed up economic recovery;
- allow PLCs to manage working capital and liquidity needs to safeguard their operations and continue to keep their employees employed.

R.8.1.2 Preliminary proposal on the special financing fund structure:

- MOF issues a RM 10 billion bond/ sukuk (say up to 10-year zero-coupon bond with yield of 3%) to be subscribed by a consortium of investors;
- Proceeds raised are managed by a Special Purpose Vehicle (SPV), which will invest the funds in eligible PLCs that fit the prescribed investment mandate/ criteria;
- At maturity, the SPV returns proceeds, together with gains, back to MOF.
- Investors obtain the returns due at bond maturity via bullet or lump sum payment.

R.8.1.3 The fund could be a "lifeline" for up to some 385 companies listed on Bursa Malaysia with market capitalisation range of RM200 million– RM2000 million. It will enhance deal certainty on primary issuances undertaken by PLCs.

R.8.1.4 To ensure only solid companies and viable businesses are allowed to access this fund and to make it appealing to investors, the necessary processes and governance structure must be put in place. For instance, eligible investments should meet these criteria:

- Companies with good Environmental, Social and Governance (ESG) ratings, or committed to pursuing ESG-compliant initiatives or striving for ESG excellence within 5 years;
- Maximum end exposure to a particular company of 5% post subscription;
- Maximum of RM150mil per transaction, and not more than 25% of equity raised

Additional elements can be incorporated to make it more appealing to investors as well as tofacilitate effective operation.

R.8.1.5 Besides facilitating businesses in their recovery, it is envisioned those investors will also benefit from the proposal as their investments (businesses) would have a quicker recovery route. In addition, with a clear recovery path, these businesses will generate good returns for new investors over the medium term as they are presently undervalued, primarily due to the prolonged impact of the pandemic.

R.8.2 Shorter time for rights issue via general mandate

R.8.2.1 Extend or make permanent the temporary relief measure allowing eligible listed issuers to obtain mandated shareholder approval at a general meeting to undertake rights issue exercises. This provision had been put in place since 10 November 2020 and will be in effect until 31 December 2021.

R.8.2.2 Listed issuers should be allowed to undertake the rights issues (i.e. pro rata equity issuance) via the general mandate route. Such an avenue will be more expedient and cost effective. With the upfront approval that has been obtained from the shareholders, it is estimated that this initiative can shorten the fundraising timeline by about 6–8 weeks.

[1] Currently, existing listing requirements allow listed issuers from both the Main Market and ACE Market to issue new securities for capital raising under a general mandate route up to a maximum issuance size of 10% and a maximum discount of 10% for the issue price. On 16 April 2020, Bursa Malaysia had announced a temporary relief measure to increase the general mandate limit up to 20%, for utilisation by 31 December 2021.

R.8.3 Fundraising via proportionate private placement

R.8.3.1 Facilitate fundraisings via proportionate private placement to all shareholders by allowing PLCs with a general mandate[1] obtained in 2020 or 2021 to issue new securities to expand the reach and allow the proposed placement to be offered to all existing shareholders proportionately. These include major/substantial shareholders of PLCs so that existing shareholders will be accorded the first right of refusal.

R.8.3.2 Allow a more expedient mode of fundraising while offering the opportunity for existing shareholders to participate in the PLCs' equity potential without shareholdings dilution.

R.8.3.3 Help PLCs raise funds more expediently without having to appoint an external agent nor source for third-party investors.the upfront approval that has been obtained from the shareholders, it is estimated that this initiative can shorten thefundraising timeline by about 6–8 weeks.

R.8.3.4 Further details of the recommendation, subject to refinement, are as follows:

- Issuance limit - Not exceeding the amount approved vide the annual general meeting (AGM) in year 2020/2021
- Price discount – Not exceeding 10%;
- Eligible listed issuers - All listed issuers which have already procured approval of the general mandate vide AGM in Year 2020/2021;
- Eligible investors - All shareholder(s) on pro rata basis
- Offer document* - Private placement letter indicating the terms, offer and acceptance.

* *Subject to changes to Securities C ommission's Guidelines*

R.8.4 Introduce legal provision for senior financing of distressed companies

R.8.4.1 Explore a new law or legal provision to enable senior financing i.e. whereby a new third party can provide financing to a distressed company and it will rank above the existing liabilities of the company. Such law is already in place in the US and Singapore.

R.8.4.2 Risk mitigation is vital to enable businesses to attract prospective rescuers. This can help provide a fresh, more flexible, yet vital way for distressed businesses to sustain at least parts that are solid, and enable protection of jobs, and spur recovery.

R.8.4.3 Build in appropriate safeguards, for example, taking into account the following considerations:

a) Provided only for financing that:
  i) is absolutely necessary for the company to remain as a going concern; and/or
  ii)have a realistic prospect of overcoming the existing difficulties; and/or
  iii)might achieve a more advantageous realisation of the assets of the company than just winding up of the company.

b)Appointment of restructuring professionals (a special administrator); and

c)Appropriate due diligence and governance over the special administrator and the turnaround plan, to provide due legal protection for the special administrator from claims.

R.8.5 Facilitate corporate restructuring

R.8.5.1 Encourage M&A activities among suitable companies, for example in sectors that might be over-penetrated or where profit margins or earnings are under strong downward pressure.

R.8.5.2 Enable PLCs that intend to acquire new profitable assets (outside of their core business/industry) to turn around their current financial position/performance by providing 3-year provisional relief to encourage healthy shares-based mergers and acquisitions (M&A). Healthy shares-based M&A could provide the catalyst to impacted PLCs to revive their business vibrancy or financial positions effectively, to be more agile and competitive, and most importantly to prevent them from falling into financial distress (PN17 classification).

R.8.5.3 Facilitate the M&A process of eligible PLCs via the following measures:

1) 3-year provisional relief in the form of a temporary waiver for PLCs to comply with certain percentage ratios so that the M&A transactions will not be subjected to the stringent requirements and lengthy process for "significant change in business direction or policy". Stamp duty exemption or real property gains tax exemption (where applicable) during the 3-year period.

R.8.5.4 Tentative eligibility criteria of PLCs are as follows:

(a) Have suffered losses in the past two full financial years and are expected to incur further losses
(b) Shareholders' equity has been reducing but still more than 25% of the share capital;
(c) No related party transaction (RPT) involved; and
(d) Exclude existing Practice Note 17 (PN17) companies and those with auditors' opinion on going concern.

R.8.5.5 The proposed provisional relief can be reviewed after 3 years with a view towards a permanent solution or amendment to the existing Securities Commission Malaysia's guidelines, and spearhead more M&A transactions in Malaysia

R.8.6 PLC Transformation Programme (2021–2025)

R.8.6.1 Kick-off an over-arching 5-year PLC Transformation Programme to deliver high-performing Corporate Malaysia and address lacklustre corporate performance. Enhance performance and governance for all PLCs and build more solid companies. This will in turn entice foreign investors to our market.

R.8.6.2 Adopt and simplify the leading practices from the successful delivery of the GLC Transformation Programme introduced in 2004. more agile and competitive, and most importantly to prevent them from falling into financial distress (PN17 classification).

R.8.6.3 Anchor the proposed programme on 5 pillars.

R.8.6.4 Provide a corresponding short guidebook for each pillar, for easy reference by all PLCs and capital market stakeholders electronically.

R.8.6.5 Indicative examples of potential content in the guidebooks are:

1) Performance driven – Encourage thepractice of PLCs making their headline KPIs (financial and non-financial) public, supported by appropriate progress reviews, to promote greater transparency, accountability, and in turn, instil discipline and sense of responsibility for PLCs to perform;

2) Strengthened corporate governance – Include recommendations for closer scrutiny by various stakeholders (especially institutional investors and regulators) on the practices of PLCs' nominationcommittees pertaining to appointment of directors, development of a pool of quality aspiring and current directors, and establishment of professional certification programmes to produce sizeable numbers of "qualified", professional directors;

3) Digitally enabled – Provide guidelines on how businesses might adopt digitalisation or automation to increase productivity or enable faster decisionmaking;

4) Sustainable, socially responsible & ethical – Help PLCs better embed sustainability into their business strategy, scorecards and governance via sharing of sustainability best practices; and

5) Nation building – Offer suggestions or perhaps targeted incentives for PLCs to align to nation-building objectives, such as upskilling workers and prioritising locals in the workforce.

R.8.6.6 Embed a good balance of guidance on best practices for empowerment and ownership by PLCs, with some level of governance or monitoring by key institutional shareholders and/or regulators.

Way Forward

Executing the Reset Agenda

A. Situation Analysis

Global economy started the year 2020 on a positive momentum. Both the global and Malaysia's GDP are expected to continue expanding at an uninterrupted pace since the 2008 GFC. The global GDP outlook was projected at 3.4 percent while Malaysia's economy is envisaged to expand by 4.8 percent.

Just as the global economy entered the year 2020, it was caught by surprise with the tension between the US and Iran. Tension flared over the killing of top Iranian military commander Qassem Soleimani. It escalated a "shadow war" in the Middle East. However, the tension eased quickly.

On the heels of the US-Iran tension, came the outbreak of Covid-19. This rare virus took many human lives, impacted livelihood and business. The Covid-19 outbreak was declared as a pandemic on 11 March 2021 by the WHO.

To contain the virus spread, governments around the world mandated shutdowns or operate well below their full capacity of their overall economic activities. Necessary quarantines and social distancing practices were introduced. It put the world into a "Great Lockdown", something never experienced in any previous crisis.

This "Great Lockdown" amplified the speed and magnitude of an economic collapse never before experienced in our lifetime. It disrupted global supply chain, collapsed the demand and flared up job losses, almost simultaneously. Both the manufacturing and services sector took a strong hit around the same time. Driven by high uncertainty, there were fears that the global economy would plunge into a recession that will likely emulate the 1930s Great Depression.

Importantly, governments around the world worked in a coordinated and swift manner to contain the virus spread and support the economy. A combination and series of stimulus measures, better management of the Covid-19 pandemic as well as vaccine development allowed for the gradual re-opening of the economic activities.

As a result, global economy was able to avert 1930s type of Great Depression. The global economy contracted by 4.4 percent. However, it is still worse than the 0.1 percent fall in the 2008 GFC. Malaysia's GDP shrank by 5.6 percent, the worst since the 1997 AFC (-7.4 percent.

Meanwhile, a more optimistic outlook has been outlined for the year 2021. The global economy is projected to grow 6.0 percent in 2021 and 4.9 percent in 2022 It is despite acknowledging that the downside risk to growth driven by uncertainty from the pandemic, health, and economic crisis.

Normalisation of the global economic activities in 2021 will depend on the vaccination speed, management of Covid-19 cases, resurgent of infections and rising Covid death tolls. And the recovery is not assured even in countries where infections are currently very low so long as the virus circulates elsewhere.

In the case of Malaysia, the initial economic growth projection was 6.0-7.5 percent. However, it has been revised downwards to 3.0-4.0 percent. Downwards revision took place despite a 7.1 percent first half of 2021 GDP growth.

Such sharp downgrade to 2021 growth took place following the reimposition of nationwide containment measures to address the rising Covid-19 cases. The nationwide Full Movement Control Order (FMCO) is expected to have a cumulative impact of five percentage points to the 2021 growth, or an average of RM400 million to RM500 million in daily real output losses.

Outlook look for the second half of 2021 will determine if the country is able to grow at 4.0 percent or the lower end of 3.0 percent. To achieve a 4.0 percent full year growth, it will depend on how quickly the economy is re-open, majority of the population vaccinated by the end of October 2021; effectiveness of the vaccine against prevailing variants, a quicker transition to Phase 4 by September 2021, improvement in the labour market; higher pent-up demand among households, and domestic political stability.

Meanwhile, any delay in the opening of the economy, slower vaccination speed that results to most of the population being vaccinated by the first quarter of 2022, emergence of new variants that adds strain to the healthcare system, prolonged tight containment measures with Phase 4 starting in 2022, policy uncertainty, and slow labour market recovery will weigh on growth. This could result to the economy grow around 3.0 percent.

Global inflation including Malaysia is expected to rise in 2021. But the uptick is seen as transitory due to supply-demand mismatches and partly due to high food prices. Inflation should return to its pre-pandemic ranges in most countries in 2022 once the shocks work their way through prices, though uncertainty remains high.

On that note, the central banks including Bank Negara Malaysia could be looking through the transitory inflation pressures and avoid tightening until there is more clarity on underlying price dynamics. However, there is a risk that transitory pressures could become more persistent and central banks may need to take pre-emptive action. Thus, clear communication from central banks on the outlook for monetary policy will be key to shaping inflation expectations and safeguarding against premature tightening of financial conditions.

Importantly, this crisis paved way to the rise of a new global economic landscape. Almost all countries including Malaysia were indiscriminately affected. There were wide differences in relation to the stringency and duration of containment measures carried out by the affected countries. Hence, the impact on their economy, industries, lives, livelihood, and jobs varied.

Underpinned by these differences and the way countries were affected from this crisis, chances for a swift, uniform rebound from the Covid-19 crisis have dimmed. Global economy now face a sharp divergent of growth prospects. Recovery is unlikely to be symmetric and simultaneous though there are some grounds for optimism.

Renewed concerns emerged with the vaccination euphoria. It has been tempered by slow vaccine rollouts in many countries, while fresh waves of Covid-19 infections threaten many economies' growth trajectories. New variants have raised

concern on the effectiveness of the vaccines.
At the same time, a salient point to note from this pandemic is the rapid redrawing of the global economic landscape. After World War II, a new world order was set up. And from this pandemic, it has opened the door for policymakers to step back and rethink the kind of world they would like to live in.

A clear consequence from this pandemic is a change in the behaviour of the global community. It has created political, economic, social and cultural shifts that have changed the global landscape. It has also revealed that despite the recent geopolitical fragmentation and inward-looking policies, global communities are heavily interconnected and vulnerable.

While Covid-19 pandemic crisis is worrying, it also presents opportunities to those who navigate well through the challenges. This crisis is seen as a timely reminder of the need for, as well as an opportunity to speed up a much-needed economic resetting.

And it is increasingly clear that the post-pandemic economy will be different because Covid-19 has accelerated structural transformations. A recovery without resetting the structural issues would potentially impact the medium-term growth and the ability to withstand another crisis effectively.

This crisis has shifted the global landscape and is expected to create new economic opportunities and challenges. And now is the time to steer the economy towards a more sustainable path supported by “bold and radical” measures based on the kind of future that Malaysia want to be in.

Hence, in resetting the Malaysian economy, there is a need to think of the policies and strategies over the medium and long term. It needs to pave the way for transformation while designing recovery programmes and stimulus packages.

On that note, the narrative that has been designed in this reset plan is based on “four key landscapes” namely digitalization, automation, globalisation, and sustainability given that this crisis has accelerated structural transformations, notably in these areas.

Digital mandate is not new. Prior to the pandemic, digitization of the economy was already underway. This pandemic only fasten the pace of digitalisation. It has reshaped the way we live and work. Some of the behaviours developed include a wide-scale digital adoption that will outlast the pandemic, well after restrictions on activity are lifted. To stay competitive, the government and business must respond to the customers behavioural changes and meeting their demands.

Automation also gained strong attention as the pandemic saw a surge in remote working and magnified the need for unmanned work operations. Business and manufacturers who relied heavily on manual operations like warehouses or meat packers have embarked on more automated or tele-operated systems. Unlike traditional, manually operated machines, in tele-operation, the human operators sit in remote locations away from the machines they control. Despite some unquestionable benefits of automation, simply adopting a technology-driven approach aimed at replacing all manual operations with robots is not a viable fix When considering whether the pandemic will have a permanent effect on **globalisation**, the answer depends, of course, on how long it lasts, as well as the continuing threat of future pandemics. The impact of this pandemic on globalization will be felt via four mechanisms: behaviour of the government, attitude of consumers, mindset of executives and key stakeholders in multinational companies, and economics of business globalization. Some governments may use the Covid-19 as an excuse to pull back from multilateralism and free trade.

Meanwhile, Covid-19 is the most wide-reaching public health crisis the world has faced, in a long time. It has significantly impacted practically every aspect of operations i.e., the government, business, and people. The centrality of sustainability for resilience is vital. The integration of sustainability and transparency strategically into policies, business operations and consumer demand will develop a strong footing. The economy and business will be much more agile in responding to unexpected events.

And for these four landscapes to yield fruitful results, they must be accompanied by four “key agents” namely people that focus on workforce; the government on public deliveries and competitive market; emergence of a new sector that is the 3rd sector; and corporate recovery and reforms..

Executing the Reset Agenda

The pandemic has paved way for Malaysia to seize a golden opportunity from this crisis. Unprecedented shockwaves arising from this crisis will make people, business, and the government to become more receptive towards changes. And it is an opportunity that may never happen again since it is important to take note that the pandemic most assuredly will not remain as a crisis forever.

And so, the government needs to design policies to align with investment in people, environment, inclusivity and above all, the longer-term perspective which is about rebalancing the economy. To put the plans and strategies into action and convince the people, business, and the world at large, Malaysia must be serious on its plans to reset the economy over the medium and long run.

Hence, there is a need to set up a 'dedicated' office. This office will take charge of the mandates, design detailed execution plans that looks into monitoring, reporting, and reviewing and focusing on stakeholders. The office, headed by an executive director, will report to either the prime minister or the EAC with a new mandate that focus on post-crisis. The office will be staffed with experts in each area of the reset thrusts.

Glossary

4IR	4th Industrial Revolution
AE	Advanced Economies
AFC	Asian Financial Crisis
AGM	Annual General Meeting
AI	Artificial Intelligence
API	Air Pollutants Index
ASEAN	Association of Southeast Asian Nations
BNM	Central Bank of Malaysia
bps	Basic points
CBF	Community Based Forestry
CEIC	CEIC Data
CMCO	Conditional Movement Control Order
COAC	Centre for Orang Asli Concerns
Covid-19	Coronavirus Disease 2019
CSO	Civil Society Organisation
DOSM	Department of Statistic Malaysia
E&E	Electrical and Electronics
EMDC	Emerging Markets and Developing Countries
EODB	Ease of Doing Business
EU	European Union
FDI	Foreign Direct Investment
FMM	The Federation of Malaysian Manufacturers
FTA	Free Trade Area
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GVC	Global Value Chain
IFC	Institution for Collaboration
IMF	International Monetary Fund

Glossary

IP	Industrial Production
JPJ	Road Transport Department Malaysia
KLCI	Kuala Lumpur Composite Index
KPI	Key Performance Indicator
LED	Light Emitting Diode
LHDN	Inland Revenue Board of Malaysia
MQA	Malaysian Quality Agency
MATCH	Malaysia Covid-19 Coordination and Action Hub
MCO	Movement Control Order
MDEC	Malaysia Digital Economy Corporation
MEDAC	Ministry of Entrepreneur Development and Cooperatives
MGII	Malaysia Government Investment Issues
MGS	Malaysia Government Securities
MIER	Malaysia Institute for Economic Research
MIP	MyIndustrial Park
MITI	Ministry of International Trade and Investment
MNC	Multi-National Company
MoE	Ministry of Education
MOF	Ministry of Finance
MoHE	Ministry of Higher Education
MOHR	Ministry of Human Resource
MOSTI	Ministry of Science, Technology, and Innovation
M & A	Merger and Acquisition
MSCI	MSCI Index
MYR	Malaysia Ringgit
NEM	Non-equity modes
NGO	Non-Governmental Organisation

NIA	National Investment Aspiration
NSPS	National Social Protection System
NTM	Non-Tariff Measures
ODB	Open Data Barometer
OECD	The Organisation of Economic Co-operation and Development
OPEC	The Organization of the Petroleum Exporting Countries
OPR	Overnight Policy Rate
OSI	Online Service index
PMI	Purchasing Managers Index
R&D	Research and Development
RCEP	Regional Comprehensive Economic Partnership
RIA	Regulatory Impact Assessment
SDG	Sustainable Development Goal
SEA	South-East Asia
SME	Small and Medium Enterprise
SRI	Socially Responsible Investing
SRR	Statutory Reserve Requirement
SSM	Companies Commission of Malaysia
TPC	Talent Partnership Council
TVET	Technical and Vocational Education and Training
UK	United Kingdom of Great Britain and Northern Ireland
UNCTAD	United Nation Conference on Trade and Development
UPC	Unified Public Consultation
US	United States of America
USD	United States Dollar
WFH	Work-From-Home
WHO	World Health Organisation

Special thanks to:

Dato' Sri Mustapa Mohamed,
Minister (Economy) at Prime Minister's Department

Datuk Saiful Anuar Lebai Hussein,
The Director General of Economic Planning Unit,

Prof. Tan Sri Dato' Seri Dr. Noor Azlan Ghazali
The Executive Director of
Economic Action Council (EAC) Secretariat,
Economic Planning Unit

Datuk Mariam Elias,
Director of
Economic Action Council (EAC) Secretariat
Economic Planning Unit

Dr. Anthony Dass,
Internal EAC Economist (AmBank)

Associate Prof. Dr. Mohd Yusof Saari
Internal EAC Economist (UPM)

Associate Prof. Dr. Azlan Shah Zaidi,
Internal EAC Economist (UKM)

Mr. Mohamad Rashdan Mohamad Radzi,
Internal EAC Economist (PETRONAS)

Associate Prof. Dr. Sabariah Mohamed Salleh
Special Officer (Media) to Executive Director of
EAC Secretariat

Mr. Khairul Ridzuan Ya'akub,
Special Officer (Economy) to
Executive Director of EAC Secretariat

Mr. Aizam Abu Bakar,
Special Officer (Administration) to
Executive Director of EAC Secretariat

Dr. Sumitra Nair,
Subject Matter Expert for
Reset 1: Embracing The Digital Economy

Dr. Fatimah Mohd Amin,
Subject Matter Expert for
Reset 2: Promoting Technology Adoption & Advancement

Prof. Tham Siew Yean &
Associate Prof. Dr. Andrew Kam Jia Yi
Subject Matter Experts for
Reset 3: Positioning For A Shifting Global Landscape

Mr. Alizan Mahadi
Subject Matter Expert for
Reset 4: Promoting Shared Responsibility,
Good Governance, and Sustainability

Dr. Mazlan Kamis
Subject Matter Expert for
Reset 5: Preparing Future Workforce

Prof. Datuk Dr. John Antony Xavier &
Dr. Wan Khatina Nawawi
Subject Matter Expert for
Reset 6: Strengthening Public Deliveries &
Promotion of Competitive Market

Prof. Datuk Dr. Denison Jayasooria
Subject Matter Expert for
Reset 7: Attending Vulnerable Communities &
Mainstreaming The Third Sector

Bursa Malaysia
Subject Matter Expert for
Reset 8: Corporate Recovery & Reform

And to all ministries, agencies, institutions, chambers, associations and individuals for their commitment and significant contribution in producing this document. The Secretariat of Economic Action Council genuinely appreciate all the help given and value the everlasting support from all to take Malaysia forward, post Covid-19 Crisis.

Thank you.