



02 OCT, 2022

A RESILIENT FUTURE TOUGH TIMES DON'T LAST, TOUGH NATIONS DO

New Sunday Times, Malaysia

PIC BY ROHANIS SHUKRI



'We must temper optimism with a dose of realism'

2022 may be a banner year for the economy, but 2023 is likely to prove more challenging due to global headwinds. The finance minister outlines how corporations can help the country.

» OPINION ON **PAGE 5**



02 OCT, 2022

A RESILIENT FUTURE TOUGH TIMES DON'T LAST, TOUGH NATIONS DO

New Sunday Times, Malaysia

A RESILIENT FUTURE

TOUGH TIMES DON'T LAST, TOUGH NATIONS DO

In light of a global slowdown, we must train the people and businesses to instil a more disciplined mindset



TENGKU DATUK SERI ZAFRUL ABDUL AZIZ

WE have entered the last quarter of 2022, which, by various data points, will go down in history as Malaysia's "turnaround year", after two years of economic hardship brought by the pandemic.

We have had three consecutive quarters of economic growth: 3.6 per cent in the fourth quarter of 2021, followed by five per cent in the first quarter of 2022 and 8.9 per cent in the second quarter of 2022.

Unemployment in July this year was 3.7 per cent, a significant decrease from the peak of 5.3 per cent in May 2020. Our trade for the second quarter of this year was at a record high of RM1.35 trillion and we are on track to land at the upper range of the 5.3 to 6.3 per cent gross domestic product growth forecast for 2022.

These are all clear, encouraging signs of the economic recovery that we had worked so hard towards. The government's policy responses, coupled with efforts by various sectors in Malaysia, have enabled our people to rebound post-pandemic.

But now, we must temper our optimism with a dose of realism, as well as prepare our nation and people for an imminent global economic slowdown in 2023, which will affect small trading nations like us.

The historic rate hikes by the United States Federal Reserve to cap its domestic inflation are also meant to decelerate its economy, whose repercussions have, no doubt, been felt the world over, including in Malaysia.

These drastic rates hikes have contributed to a stronger US dol-

lar, affecting most nations trading mainly in US dollar, although global inflation has played a much bigger role in driving up prices compared with the stronger US dollar.

Further, it doesn't help that the war in Ukraine has dragged on far longer than expected, with disrupted global supply chains affecting millions, causing higher prices due to more demand chasing less supply.

Perhaps there is also a need to question the root cause of the world's current problems. Have we oversold the concept of globalisation, with its attendant huge carbon footprint as supply chains chase the lowest cost producers a few continents away?

Why is the whole world relying on one reserve currency? Is de-globalisation the next megatrend, as more and more countries focus on becoming self-sufficient, especially on food and energy security, for their people's wellbeing?

Perhaps, Asia needs to consider a new world order to safeguard the interest of its 4.7 billion population.

In the meantime, how do we prepare Malaysians for future volatility? How can we build resilience fast? Since 2020, I have



A farmer working in a padi field in Kepala Batas. De-globalisation appears to be the next megatrend as more countries focus on becoming self-sufficient, especially in food and energy security, for their people's wellbeing. PIC BY DANIAL SAAD

been advocating the long-term view even while being responsive to short-term needs.

The Finance Ministry's "Responsive, Responsible and Reformist" policymaking approach is more important now than ever, particularly in preparing the people and businesses for an imminent global economic slowdown and an increasing inclination towards de-globalisation by countries such as China, India and the US.

How can our corporates help Malaysia build resilience in its people when major powers are fast de-globalising? This is where our whole-of-nation approach will be more crucial than ever.

We must strengthen ourselves internally. One way is to incorporate ESG (environmental, social and governance) principles in the government and government-linked investment companies' (GLICs) ecosystem.

But while that supports our longer-term objectives, I feel there are some low-hanging fruit that corporates and market players can leverage on to help the country, but note that the list I am sharing is non-exhaustive.

FIRST, companies could and should spend as much of their earnings as possible within the country, and this may entail redesigning their supply chains to incorporate more locally produced inputs.

Corporates could also help empower small businesses by incorporating them into their supply chains, instead of relegating them to the CSR (corporate social responsibility) pillar.

SECOND, enhancing social safety nets and improving social protection should not rest solely with the government. A social safety net programme is best complemented by financial literacy, which corporates can take on to educate and elevate the communities in which they operate.

Incidentally, we have just entered October, which is the designated financial literacy month by Malaysia's financial industry.

THIRD, corporates and GLICs should also play their role in attracting high-quality investments and creating higher-paying jobs. With China's zero-Covid policies, many investors from various countries have expressed interest to relocate to Malaysia, something public-private partnerships could certainly work on.

FOURTH, those in the tourism sector could further encourage and promote domestic tourism. In fact, we still have not fully utilised some of the 2022 Budget allocations meant for the tourism sector. The sector must also intensify cross-industry collaboration, such as with the medical industry to boost quality medical tourism.

FIFTH, bigger corporates must also assist smaller companies, particularly those within their ecosystem, to achieve their ESG goals.

While the government has taken steps to embrace ESG principles in many of its operations, the corporate sector, especially big businesses, must play their part in encouraging their customers, suppliers and vendors to operationalise ESG considerations.

I am not at liberty to share what measures will be included in the 2023 Budget, but what I can say is that discipline is a key theme in next year's budget, particularly as we prepare ourselves for the tougher year ahead.

To that end, apart from the proposed tabling of the Fiscal Responsibility Act by year-end, it would also help for our people and businesses to instil a more

disciplined mindset.

The analogy I would like to share is when I went from 85kg to my current 70kg frame several years ago, by starting to run and eat less. Instead of cutting down on rice by 50 per cent in one go (way too daunting!), I reduced it by 10 per cent each week. Eventually, I reached my target weight within two months!

I feel that this is how we should approach our subsidy rationalisation — gradually, but with determination and discipline — to achieve future fiscal resilience.

Why do we need this? Let's go back to our RM80 billion blanket subsidy bill this year.

If we channelled our subsidies to those who truly deserve it, and could save say RM30 billion, how many schools, hospitals and better public transport can we finance for the masses?

The logic is simple: those who can afford it must pay market prices. And while it was the government's responsibility to care for its people and businesses during the pandemic, today all economic and social sectors have reopened and we are no longer in pandemic mode.

Through our RM21 billion wage subsidy, for example, we have helped 358,000 businesses and 2.96 million workers get back on their feet. It is time they continued the journey without further hand-holding by the government.

The government will always do its utmost to safeguard the rakyat against short- and long-term challenges, but this is a tough balancing act when global slowdown is imminent.

So we really need just a bit of discipline by everyone in Keluarga Malaysia, but we must start now to help us get through the tough times ahead and to secure a more resilient future for ourselves and our children.

The author is the finance minister



02 OCT, 2022

A RESILIENT FUTURE TOUGH TIMES DON'T LAST, TOUGH NATIONS DO

New Sunday Times, Malaysia

SUMMARIES

» OPINION ON PAGE 5 We must temper optimism with a dose of realism' 2022 may be a banner year for the economy, but 2023 is likely to prove more challenging due to global headwinds. The finance minister outlines how corporations can help the country.