



# Navigating Global Economic Challenges: *Ideals vs Reality*

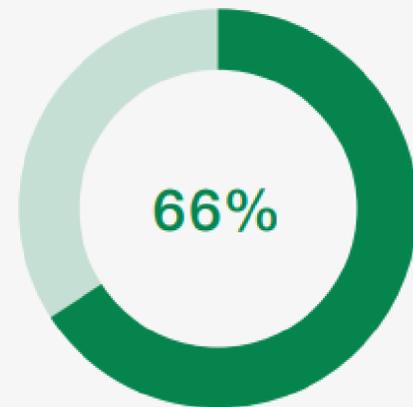
Yeah Kim Leng  
31 July 2024

# Top 5 global risks

## Risk categories

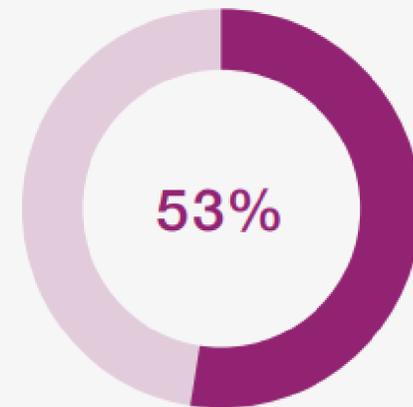
- Economic
- Environmental
- Geopolitical
- Societal
- Technological

Source  
World Economic Forum Global Risks  
Perception Survey 2023-2024.



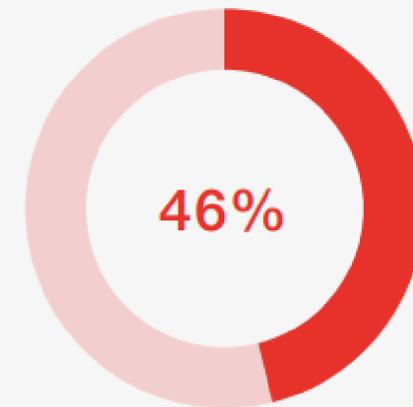
1<sup>st</sup>

Extreme weather



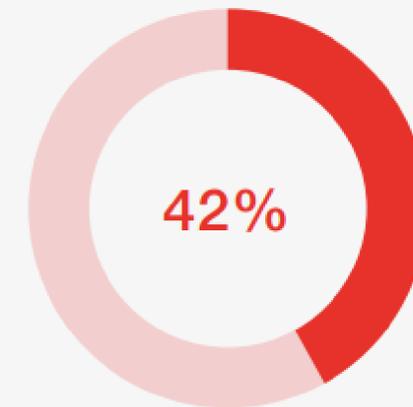
2<sup>nd</sup>

AI-generated  
misinformation  
and disinformation



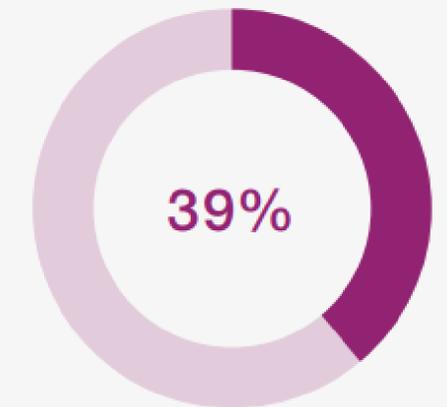
3<sup>rd</sup>

Societal and/or  
political polarization



4<sup>th</sup>

Cost-of-living crisis



5<sup>th</sup>

Cyberattacks

## Suggested mitigation strategies

### Public sector

- National Energy Transition Roadmap
- Emergency response capabilities

- Introduce new or updated legislations
- Public education and awareness programmes
- Fact checking & verification websites

- Invest in social capital development
- Increase spending on social cohesiveness programmes

- Supply-side strategies to raise production, competitiveness and productivity
- Income enhancement strategies – PWM, Minimum wage level

- Establish cybersecurity policies and regulatory framework
- Strengthen inter-agency coordination

### Corporate sector

- Conduct local climate risk assessment
- Identify contribution and align strategies to SDG/ESG

- Social media tracking
- Establish social media presence to enable quick response strategies

- Incorporate DEI strategies – diversity, equality and inclusiveness

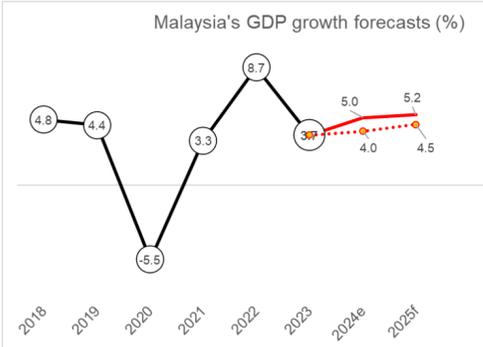
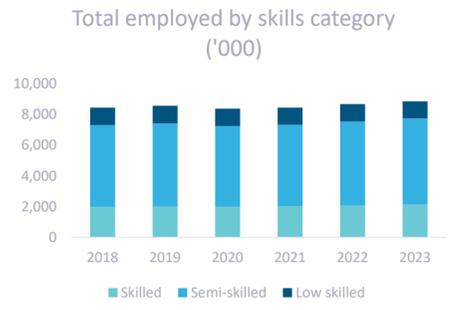
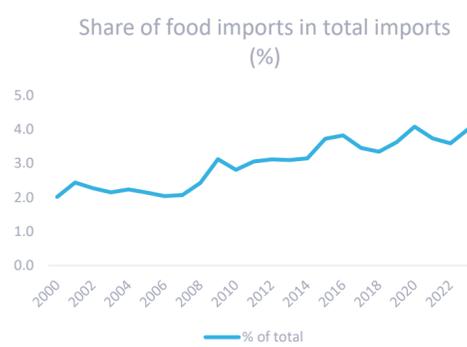
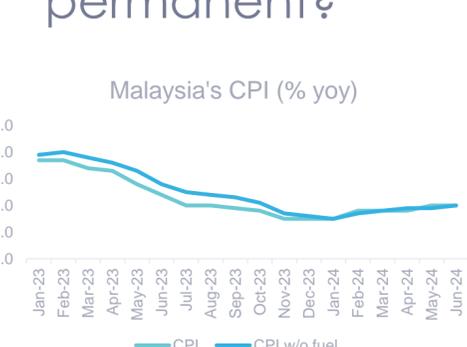
- Fair and competitive pricing behaviour
- Raise wages - share of labour income; more balanced wage structure

- Investment in cybersecurity training and tools
- Opportunities for cybersecurity insurance

# Malaysia's Top 5 risks

## Malaysia's top executives assessment

<p><b>1.</b> <b>Economic downturn</b></p>	<p><b>2.</b> <b>Labour shortage</b></p>	<p><b>3.</b> <b>Food-supply shortage</b></p>	<p><b>4.</b> <b>Inflation</b></p>	<p><b>5.</b> <b>Erosion of social cohesiveness</b></p>	<p><b>5.</b> <b>Infectious diseases</b></p>
---	---	--	---------------------------------------	--	---

Reality and current expectations					
<ul style="list-style-type: none"> <li>Near term upside risk for Malaysia</li> <li>Fragile global environment</li> <li>'Soft landing' global scenario</li> <li>Malaysia's twin growth engine</li> </ul> 	<ul style="list-style-type: none"> <li>Skills mismatch due to large low and semi-skilled labour-intensive sectors</li> <li>Skilled manpower and talent shortages</li> </ul> 	<ul style="list-style-type: none"> <li>High food import dependence</li> <li>Potential to raise food production and agricultural productivity</li> </ul> 	<ul style="list-style-type: none"> <li>Rise from a low inflation environment but expected to remain moderate as global inflation moderates.</li> <li>Cost-push factors – one-off or permanent?</li> </ul> 	<ul style="list-style-type: none"> <li>Key investors' concern</li> <li>Shift from identity-based to issues-based politics</li> <li>Change narrative from internal to external threats</li> </ul>	<ul style="list-style-type: none"> <li>Pandemic readiness requires public-private partnership</li> <li>Shift from curative to preventive healthcare</li> </ul>

# Strengthening resilience to financial shocks

Potential financial shocks	Strengthen shield (defensive strategies)	
	Government	Corporate sector
<b>1) Sovereign/corporate debt crises</b> <ul style="list-style-type: none"> <li>US government USD34 trillion debt (117% of GDP).</li> <li>Banks' exposure to commercial real estate.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen fiscal buffers and sustainability.</li> <li>Increase revenue mobilisation.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce exposure to foreign-currency borrowings for those without natural currency hedge.</li> </ul>
<b>2) Financial market shocks</b> <ul style="list-style-type: none"> <li>Equity market corrections.</li> <li>Asset price declines (&gt;20%)</li> </ul>	<ul style="list-style-type: none"> <li>Intensify financial market surveillance and stability enhancement measures.</li> <li>Reduce vulnerabilities arising from high household debt level, low income and low savings.</li> </ul>	<ul style="list-style-type: none"> <li>Review capital structure to reduce debt-to-equity ratio to a 'comfortable level'.</li> <li>Negotiate international payments in domestic currencies rather than USD.</li> </ul>
<b>3) Currency &amp; interest rate shocks</b> <ul style="list-style-type: none"> <li>BRICs' de-dollarisation.</li> <li>Global risk-off for US dollar; currency crisis.</li> </ul>	<ul style="list-style-type: none"> <li>Increase and diversify foreign reserves holdings.</li> <li>Strengthen fiscal buffers.</li> <li>Enhance efficiency of hedging markets and lower cost.</li> <li>Maintain sound banking system.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce exposure to foreign-currency borrowings for those without natural currency hedge.</li> <li>Widen use of hedging contracts and insurance products.</li> <li>Pare corporate debts if elevated.</li> </ul>

# Shielding against other global shocks

- More targeted income transfers for low income households (B40)
- Widen health insurance coverage
- Expand unemployment coverage to informal sector
- Rebuild depleted retirement savings

Threats to social stability



Rising environmental and natural disaster risks

- Pursue green growth and SDGs more aggressively
- Strengthen food and energy security
- Investment in climate adaptation and mitigation

Key challenges and risks



Deglobalisation

- Promote non-traditional export markets
- Deepen human capital and technological capabilities
- Accelerate technology adoption and digitalisation ecosystem
- Stimulate modern services exports



Rising geopolitical tensions

- Maintain neutrality
- Pursue regional trade agreements
- Diversify geographical and supply chain risks
- Explore import substitution opportunities to reduce import dependency especially food



Weak global growth

- Strengthen domestic-demand growth, especially investment.
- Shift education focus from quantity to quality; mainstream TVET and parallel pathways for advanced studies
- Accelerate upgrading and investment in digitalisation, R&D and innovation capabilities
- Reduce regulatory burden and digitalise government services

# Concluding remarks

- Shift from 'catch-up' to 'frontier' growth through focus on **innovation capabilities** to stay on top of global challenges.
- Focus on **high quality investment** and **industrial upgrading** to overcome inter-dependent 'depressed wages – foreign worker dependency – talent outflow – low productivity' conundrum.
- Capitalise on **modern services growth potential, services exports** and **tele-migration** opportunities while strengthening high value, advanced manufacturing.
- Malaysia's public sector, industries and workforce need to be **innovative, enterprising** and **digital savvy**.