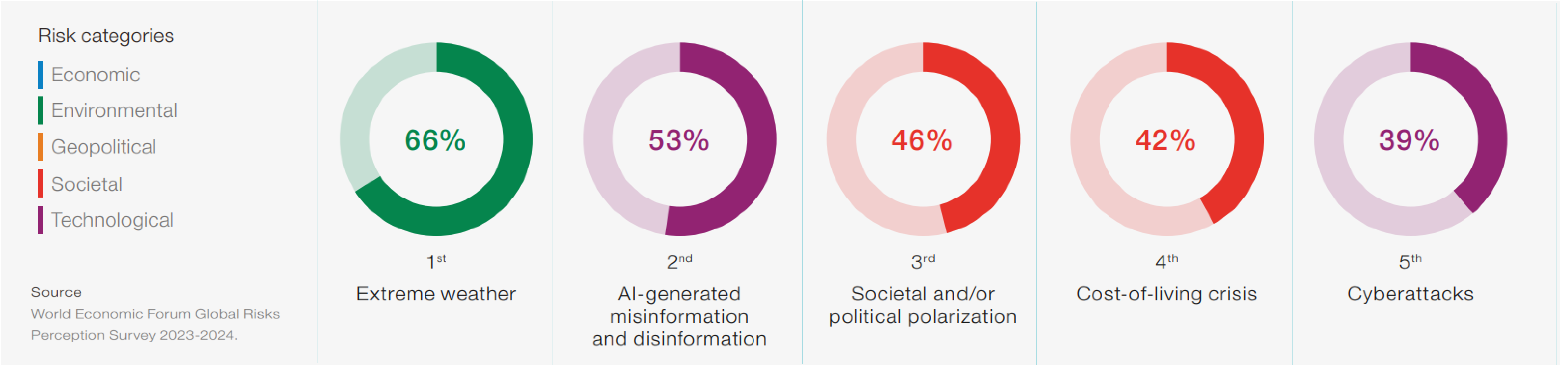




# Navigating Global Economic Challenges: *Ideals vs Reality*

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# Top 5 global risks

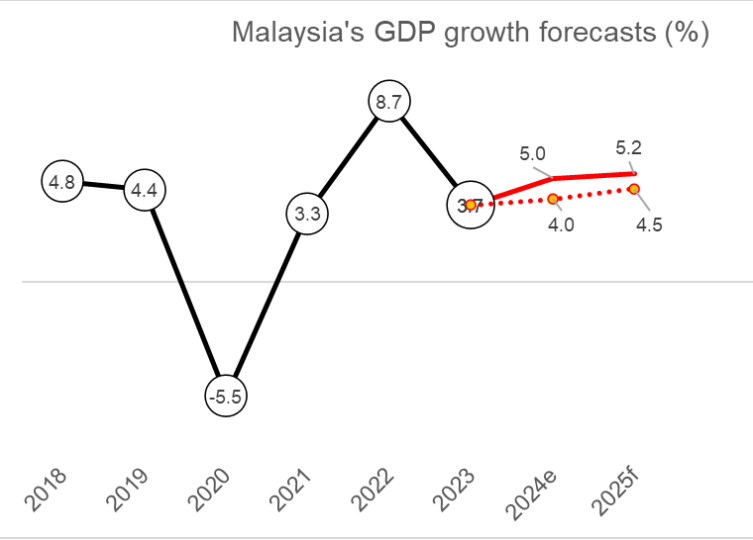
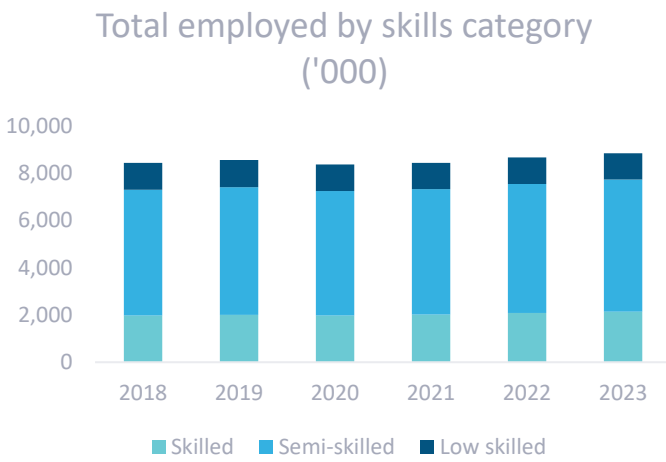
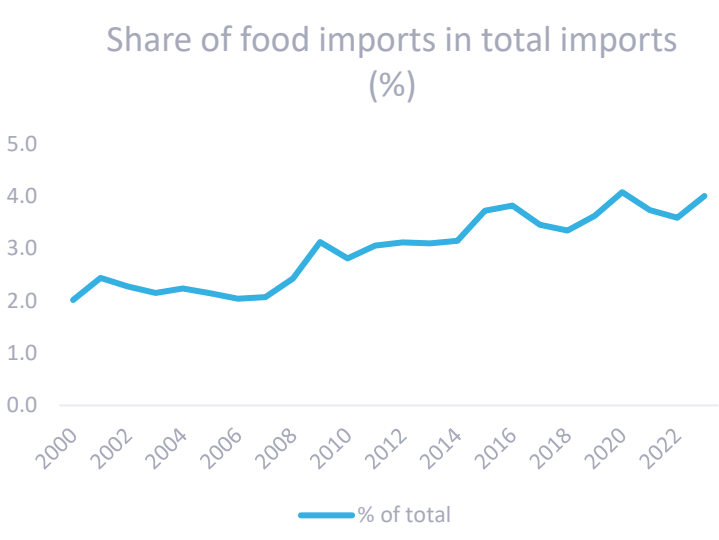
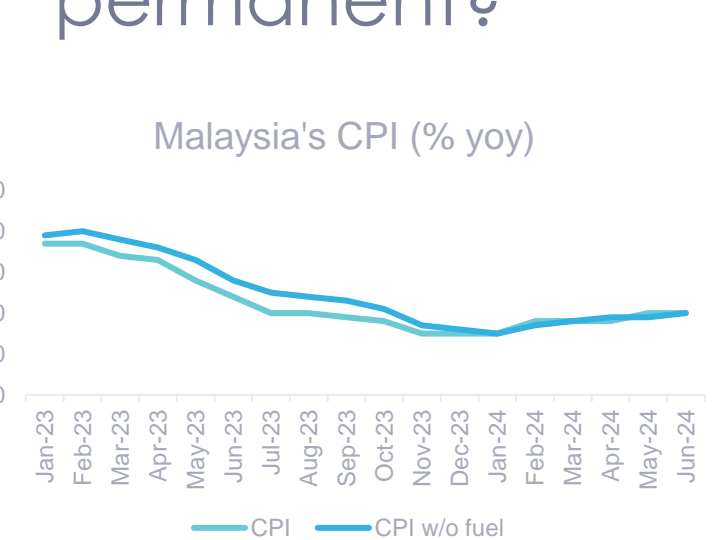


Suggested mitigation strategies					
Public sector	<ul style="list-style-type: none"><li>National Energy Transition Roadmap</li><li>Emergency response capabilities</li></ul>	<ul style="list-style-type: none"><li>Introduce new or updated legislations</li><li>Public education and awareness programmes</li><li>Fact checking &amp; verification websites</li></ul>	<ul style="list-style-type: none"><li>Invest in social capital development</li><li>Increase spending on social cohesiveness programmes</li></ul>	<ul style="list-style-type: none"><li>Supply-side strategies to raise production, competitiveness and productivity</li><li>Income enhancement strategies – PWM, Minimum wage level</li></ul>	<ul style="list-style-type: none"><li>Establish cybersecurity policies and regulatory framework</li><li>Strengthen inter-agency coordination</li></ul>
Corporate sector	<ul style="list-style-type: none"><li>Conduct local climate risk assessment</li><li>Identify contribution and align strategies to SDG/ESG</li></ul>	<ul style="list-style-type: none"><li>Social media tracking</li><li>Establish social media presence to enable quick response strategies</li></ul>	<ul style="list-style-type: none"><li>Incorporate DEI strategies – diversity, equality and inclusiveness</li></ul>	<ul style="list-style-type: none"><li>Fair and competitive pricing behaviour</li><li>Raise wages - share of labour income; more balanced wage structure</li></ul>	<ul style="list-style-type: none"><li>Investment in cybersecurity training and tools</li><li>Opportunities for cybersecurity insurance</li></ul>

# Malaysia's Top 5 risks

## Malaysia's top executives assessment

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



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

## Rising environmental and natural disaster risks



## 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**.