

KEYNOTE ADDRESS (Interim)

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MINISTER IN THE PRIME MINISTER'S DEPARTMENT, MALAYSIA**

Second National Statistics Conference (MyStats 2013)

**“Promoting Innovation in Economic and Financial Statistics
to Support Policy Making in a Dynamic Environment”**

18 November 2013

Sasana Kijang, Kuala Lumpur

Bismillahirrahmanirrahim;

Assalamualaikum Warahmatullahi Wabarakatuh; and

A very good morning, Salam Sejahtera and Salam 1 Malaysia.

YBhg. Dr. Haji Abdul Rahman bin Hasan, Chief Statistician, Malaysia;

YBrs. Dr. Sukhdave Singh, Deputy Governor, BNM;

YBrs. Prof. Dr. Aziz bin Jemain, Presiden, Institut Statistik Malaysia;

YBrs. Prof. Dr. Vijayan N. Nair, President, International Statistical Institute;

YBhg. Dato'- Dato', Datin-Datin, Dif-Dif Kehormat;

Distinguished speakers and guests, ladies and gentlemen;

1. First of all, I would like to thank the organisers; Bank Negara Malaysia, the Department of Statistics, Malaysia and Institut Statistik Malaysia for inviting me to deliver the keynote address in this conference. It is indeed a great pleasure and an honour for me to be here this morning and to present the keynote address in the Second National Statistics Conference, MyStats 2013, held in conjunction with the celebration of the International Year of Statistics, 2013.

2. During the past decades, the Malaysian economy has experienced rapid structural changes. In the early years after independence, the economy was mainly made up of the agriculture and mining sectors, with both sectors contributing 45 per cent of the GDP and 66 per cent of employment. Since then, the landscape of Malaysia's economy has evolved from an agriculture & commodity based economy to an industrial economy and then to service economy with higher value added and technology driven industries.

3. The determination and pace of Malaysia's economy is largely moulded through implementation of the devoted national development blueprints. Malaysia's economic development plans (Malaysia Plans) provided the main thrusts for the country's socio-economic policy and are used as a base for development planning, policy formulation and implementation. The country's first five-year plan, 1956-1960, which was implemented on the eve of independence focused on the economic expansion to absorb the growing labour force and on the provision of basic needs and facilities such as education, health, sanitation, water supply and electricity. Thereafter, the plans had incorporated numerous deliberation

strategies in bringing balanced development to the country and ultimately improved quality of life for the people. The nation is now at the mid-period of 10th Malaysia Plan (2011-2015) where the country's sustainable development strategy had been incorporated.

4. The success of the country development that is supported by profound statistics has generated vibrant economic activity. As a result, the Malaysian economy was moving progressively from a resource-based economy to an industrial economy. The manufacturing sector grew from 14.6 per cent of GDP in 1970 to 24.9 per cent in 2012. While during the same period, the share of agriculture dwindled from 28.8 per cent (1970) to 7.3 per cent (2012).

5. The rapid growth of manufactured exports since 1980 was a commendable achievement of the industrialisation era. The government's decision to pursue an outward-looking development strategy is the key to the path of sustained and vigorous growth of its economy. The external sector continues to be a major contributor to the country's revenue, contributing to the lion share of the annual foreign exchange earnings over the decades.

6. Malaysian international merchandise trade has grown remarkably over the past decades. Particularly, in the ten years period of 2000 to 2010, Malaysian exports increased tremendously from RM 373.3 billion (2000) to RM 638.8 billion (2010) and last year amounted to RM 702.6 billion. These figures are attributed to the initiatives taken by the government to support the export oriented industries by creating an

investment friendly environment with various incentives and keeping close ties between the government and private businesses.

Focusing on services sector to accelerate the growth

Ladies and gentlemen,

7. To bring the country to new heights and to become a developed nation by 2020, new sources of growth need to be identified and the government has targeted the services sector to drive future growth. The sector which contributed only 42.6 per cent to GDP in 1970 is targeted to grow to 67.3 per cent by 2020. This target is in line with the experience of developed economies, where the services sector is usually the biggest contributor to their GDP (e.g; for the last year:- the US: 77%, Japan: 74%, Germany: 71%, Singapore: 63%, Hong Kong: 92%). Thus, to propel the services sector, the government envisages that the growth will take place across the board, especially in oil and gas, construction, business & professional services, education & training, ICT, healthcare and tourism sectors.

8. In order to accelerate the growth of the services sector, the government has opened up a number of important services sub-sectors to foreign participations. In April 2009, a total of 27 services sub-sectors were opened up and an additional of 18 services sub-sectors were liberalised last year. The liberalisation measures taken by the government is part of Malaysia's obligations in accordance with the various trade agreements signed under the World Trade Organisation (Malaysia joint the

WTO in 1995). The liberalisation is also an effort to meet our commitment towards the ASEAN Economic Community by 2015.

9. On the potential of financial and banking sector in the economy, Malaysia model of Islamic finance and halal trade has been well accepted globally. There is an increasing trend on the number of consumers and business using mode of Islamic finance in their financing programmes. During the first World Islamic Forum outside the muslim world in London in October this year , the UK's Prime Minister announced that he wanted London to stand alongside Dubai and Kuala Lumpur as one of the great capitals of Islamic finance anywhere in the world. With the enthusiasm towards Islamic finance and the strong effort by the government, Malaysia will continue to lead as the international Islamic finance hub in the world and this will certainly contribute to the expansion of the services sector.

10. While traditionally, the country's foreign exchange earnings is heavily dependent on merchandise trade as mentioned earlier, the exports potential of the services sector will be strengthened and given specific focus by policy makers. Last year, the country's services sector exports amounted to RM 117.0 billion. Among the significant contributors are Tourism (RM62.5 bil); Business Services (RM23.8 bil); and Transportation (RM13.7 bil). To keep the momentum, the various government agencies will continue to lay down strategies to assist businesses to establish business links overseas. The government has in place various initiatives to accelerate the pace of development of services sector and the detailed can be tracked down in the Economic Transformation Program (ETP) and the Government Transformation Program (GTP).

Ladies and gentlemen,

11. On the overall performance, the country has achieved a substantial increase of the GNI from RM11.6 billion in 1970 to RM771.0 billion (2010) and RM905.2 billion (2012). At present, relative to other countries in the world, Malaysia is ranked as an upper middle-income country. The country's FDI has also increased steadily. In 2000, Malaysia's FDI recorded RM14.4 billion and had increased to RM29.2 billion (2010) and RM31.1 billion (2012). Despite the government's push on the external sectors, the country's domestic's economic activities are also strengthened as sources of growth. As we are moving towards a high per capita income country, our economy will also gradually shift from heavily dependent on external sectors to a consumption based economy.

12. To put this into perspective, back in the year 1970, only 26.8 per cent of the country's population reside in urban area and based on the latest Population Census 2010, the number had increased to 70.9 per cent. Meanwhile, the people's life expectancy has also improved, where for male 61.6 years in 1970 to 72.3 years in 2012 and for the females from 65.6 (1970) to 77.2 (2012). Furthermore, the lion share of population is among the youth and teenagers. These snap-shots of demographic statistics give us the indication that the consumption and desires of people is on the rise which certainly will propel demand on the domestic sector.

Current economic scenario and challenges ahead

Ladies and gentlemen,

13. As we stand on the threshold of vulnerable economic environment, the world economy is expected to grow at a slower pace of 2.9 per cent in 2013 while issues on debt and twin deficits; balance of payments and government budget deficits are daunting most of the countries. Despite this global uncertainty, the government has continuously implemented prudent economic development policy and has managed to shield the country economy from recurring recession, to the gratitude of people.

14. In the Prime Minister's 2014 Budget speech on 25th October 2013, it was highlighted that the government has outlined various new measures to support the growth momentum. There are 100 touch points covered in the 2014's Budget, which manifest into 5 main thrusts namely;

- Invigorating economic activity;
- Strengthening fiscal management;
- Inculcating excellence in human capital;
- Intensifying urban and rural development; and
- Ensuring well-being of the people.

15. The 2014 Budget focuses on sustainability, strengthening economic resilience and accelerating transformation of the country into developed nation. The government has taken various strategies and made bold decisions towards strengthening the country's fiscal ability and commitment for future development. Various new mechanisms of fiscal policies have

been formulated such as restructuring government revenue through Goods & Services Taxes (GST) and rationalisation of subsidies, ultimately for the prosperity of the nation and its people. The government's principle is to ensure the country's economic growth and at the same time, not to lose sight of our economic responsibility to reduce the budget deficit and achieve a balanced budget by 2020.

Ladies and gentlemen,

16. The economy is expected to grow at a rate of between 4.5 to 5.0 per cent for this year and 5.0 to 5.5 per cent next year. The government is also projected to have a surplus of RM 25 billion in the balance of payment account this year. Meanwhile the government budget deficit is targeted to improve to 4.0 per cent in 2013 and 3.5 per cent in 2014. Thereafter, the government will keep reducing the fiscal deficit until we reach a balanced budget by 2020. The unemployment rate is expected to remain at a moderate level of 3.1 per cent and inflation rates curtail at 2.0 to 3.0 per cent in 2014.

17. Malaysia's GDP in the third quarter of 2013 which was announced last week has continued to expand to 5.0 per cent annually and the Current Account surplus surged to RM 9.8 billion. Given these recent statistics, the performance of the country remained viable and competitive and above all better than the other industrialised economies. The decent growth guides the country on a right path to become a full developed nation by 2020 where the country's per capita income is targeted to increase from currently (i.e. 2012) at USD 9,928 (RM 30,667) to USD 15,000 in 2020.

On the country competitiveness

Ladies and gentlemen,

18. The Institute for Management Development (IMD), a business school, in Lausanne, Switzerland has over the years assess countries according to three main competitiveness factors namely economic performance, government efficiency and infrastructure to measure how well countries manage their economy and human resources in increasing their prosperity.

19. According to the latest World Competitiveness Yearbook 2013 released by the Institute, Malaysia was ranked 15th out of 60 economies. At this position, Malaysia continues to be ahead of Australia (16th), United Kingdom (18th), China (21st), South Korea (22nd) and Japan (24th). Malaysia also registered significant improvements in the economic performance which increased from 10th to seventh position while business efficiency rose to fourth place from sixth in the previous year. The major contributing factors to Malaysia's competitiveness performance include Management Practices, International Trade, Labour Market, Finance and Prices.

20. Meanwhile, according to the 'Doing Business 2014' report released by the World Bank and the International Finance Corporation, Malaysia jumps from 12th to sixth place among business friendly economies. The rankings are based on 10 indicators and covers 189 economies. The report put Malaysia ahead of other countries in this region except for Singapore. With our collective efforts i.e. the government and private sector; and an improved delivery systems, I believe that our 'Doing

Business' ranking can be upgraded further to be among the top 5 in the years ahead.

21. To ensure that competitiveness is further enhanced, Malaysia will strive to achieve fiscal balance for economic sustainability. This will be achieved through reducing budget deficit; intensify regulatory review initiatives to modernise the business environment; leverage flexible skills and talent development for higher productivity and to meet market needs; better management commitment towards sustainable development and better quality of life; and strengthen the innovation eco-system as well as intensifying commercialisation of R&D and technological capabilities.

Ladies and gentlemen,

22. "Promoting Innovation in Economic and Financial Statistics to Support Policy Making in a Dynamic Environment" has been chosen as the theme of this conference. The theme is highly relevant as the recent financial crisis and economic uncertainty has set new challenges to the statisticians to ensure availability of relevant statistics and also challenges to users on the importance of the right diagnosis and timely policy responses based on the statistical evidence. The conference will facilitate greater discussion and collaboration among statisticians, compilers, researchers and users of the statistics in many areas including on the latest methodology & statistical processing, new methods on data compilation and new statistical economic indicators.

23. Malaysia has achieved remarkable progress in its economic and social development through a series of five year development plans and various national blueprints. All the plans incorporate statistics produced by the Department of Statistics, BNM, MOF, MITI and other government agencies to support the development planning, policy formulation and implementation. Essentially, all the measures and drives put forward by the policy makers must be strongly supported by broad spectrum of economic and financial statistics. Thus, the Government will continue to have high expectations from the professional statisticians and economists who have a key role in developing the nation into achieving a high income nation.

24. Finally, I believe that this conference will be beneficial to the speakers as well as the participants. Again, let me thank the organising committee in making this conference such a successful event.

Ladies and gentlemen,

With the lafaz; Bismillahirrahmanirrahim, I now declare this Second National Statistics Conference, MyStats 2013 open.

THANK YOU

**Office of Minister in the Prime Minister's Department, Malaysia
Federal Government Administrative Centre, Putrajaya.**

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