Ensuring More Meaningful Economic Growth
Introduction

The economy was still fundamentally sound by the end of 2017, backed by robust domestic demand and external trade as well as a strong banking and financial system. Inflation was contained and stable while the economy continued to be in full employment. The current account of the balance of payments remained in surplus. The economy performed well at the macro level, however a number of long-standing disparities and inequalities as well as structural economic issues continued to prevail. Among others, growth disparity existed between states, inequality persisted between income groups, unemployment rate among the youth was relatively high, the cost of living was rising and most industries remained in the lower-end of the production value chain. These challenges, among others, have affected purchasing power, prevented growth to be felt and rendered the objective of becoming a developed and inclusive nation less meaningful to the majority of the rakyat.

In moving forward, policy priorities will thus balance the objectives of fiscal consolidation and ensuring more inclusive economic growth. Immediate fiscal and governance reforms are imperative to further strengthen the fiscal position of the Government and allocate adequate resources to ease the hardship of the rakyat. Swift implementation of these difficult and crucial reforms is likely to have short-term impact on growth but the trade-off is necessary to maintain the economy on a sustainable growth path. Nevertheless, structural policy measures as well as high-impact development programmes and projects will continue to be implemented, albeit in a more transparent and financially sustainable manner, to ensure a more meaningful growth for the rakyat.
In the remaining Plan period, 2018-2020, the world economy is expected to strengthen and commodity prices to further stabilise. However, several downside risks remain, among others, the tightening of monetary policy in developed economies, growing trade tensions, protectionist and inward-looking policies as well as geopolitical uncertainties. Notwithstanding these risks, the macroeconomic strategies set in the Eleventh Plan will be continued with some adjustments to ensure that economic fundamentals are strengthened, sources of growth secured and structural issues managed. Strategies to address new challenges and leverage new sources of growth, including the Fourth Industrial Revolution (4IR), will also be formulated.
New Priorities and Emphases, 2018-2020

The Malaysian economy proved to be resilient amid the volatile external environment. Nevertheless, there are still challenges that need to be addressed at the macro level. These challenges include lagging productivity growth, limited fiscal space, low compensation of employees and inequality in household income. In this regard, existing macro strategies will continue to be implemented with some adjustments to also address new and emerging challenges. In addition, while the original multidimensional macro goals will remain the same, the goals are enhanced with a qualitative dimension to address the various existing inequalities and disparities as featured in subsequent chapters. Hence, the economy will sustain the growth trajectory and remain resilient as well as be even more inclusive.

External Economic Environment

Global economic growth is projected to strengthen to 3.7% per annum during the remaining Plan period, as shown in Exhibit 9-1. However, mixed performance is expected across regions with stronger growth in the Asia Pacific region, more balanced growth in the United States of America (US) and moderate expansion in the euro area due to the imminent exit of the United Kingdom from the European Union. Advanced economies are projected to expand moderately at an average annual rate of 2.1%, while emerging markets and developing economies are expected to grow faster at 3.8%.

World trade is expected to expand faster at 4.2% per annum, mainly attributed to exports by emerging markets and developing economies at 4.8% per annum. This momentum will provide Malaysia greater access to global markets and maximise potential growth. World inflation is also expected to rise by 3.4% per annum, on account of higher global commodity prices. Potential downside risks include waning support for global economic integration, growing trade tensions and protectionist policies adopted by major economies as well as geopolitical uncertainties.
## Exhibit 9-1

### World Economic Outlook, 2016-2020

<table>
<thead>
<tr>
<th>Item (Growth, % p.a.)</th>
<th>Eleventh Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Estimate</td>
</tr>
<tr>
<td><strong>World output</strong></td>
<td></td>
</tr>
<tr>
<td>Advanced economies</td>
<td>3.9</td>
</tr>
<tr>
<td>Emerging markets and developing economies</td>
<td>2.1</td>
</tr>
<tr>
<td></td>
<td>5.1</td>
</tr>
<tr>
<td><strong>World trade</strong></td>
<td></td>
</tr>
<tr>
<td>Imports</td>
<td>5.0</td>
</tr>
<tr>
<td>Advanced economies</td>
<td>4.6</td>
</tr>
<tr>
<td>Emerging markets and developing economies</td>
<td>6.0</td>
</tr>
<tr>
<td>Exports</td>
<td>4.3</td>
</tr>
<tr>
<td>Advanced economies</td>
<td>6.0</td>
</tr>
<tr>
<td>Emerging markets and developing economies</td>
<td></td>
</tr>
<tr>
<td><strong>World price</strong></td>
<td></td>
</tr>
<tr>
<td>Non-fuel primary commodities</td>
<td>-0.7</td>
</tr>
<tr>
<td>Oil (US$ per barrel)</td>
<td>71</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>World consumer prices</strong></td>
<td>3.5</td>
</tr>
<tr>
<td>Advanced economies</td>
<td>1.9</td>
</tr>
<tr>
<td>Emerging markets and developing economies</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Notes:  
1 Refers to simple average of three spot prices - Dated Brent, West Texas Intermediate and the Dubai Fateh.  
2 World consumer prices for 2018-2020 are from World Economic Outlook April 2018 Edition.  
Source: World Economic Outlook, International Monetary Fund (April 2015; April and October 2018)

### Macroeconomic Strategies

In the remaining Plan period, macroeconomic policy framework will continue to focus on enhancing the resilience of the economy to ensure the multidimensional goals are achievable. The goals are also strengthened by introducing qualitative aspects to ensure greater inclusivity as in Exhibit 9-2. The key macroeconomic strategies are as follows, of which the details are in Exhibit 9-3:

- Driving productivity at the national, sector and enterprise levels to ensure sustainable and inclusive growth
- Promoting quality investment to spearhead economic growth
- Embarking on initiatives to move up the value chain
- Strengthening exports and managing imports to improve the balance of payments
- Emphasising a fiscal consolidation path to ensure sustainability in the medium-term
9-6

Exhibit 9-2
Multidimensional Goals, 2018-2020: Revised Targets with New Priorities and Emphases

Targets are pursued together with qualitative aspects through the respective pillars

- GDP growth at 4.5-5.5% p.a. for 2018-2020
- Labour productivity increases to RM88,450 in 2020 from RM81,268 in 2017
- GNI per capita increases to RM47,720 in 2020 from RM41,093 in 2017
- Compensation of employees (CE) to GDP increase to 38% in 2020 from 35.2% in 2017
- Mean monthly household income increase to RM8,960 in 2020 from RM6,958 in 2016
- Malaysian Wellbeing Index to increase by 1.7% p.a. for 2018-2020
- ...with reduced development gap between states
- ...with shrinking productivity gap between industries
- ...with narrowing income gap between states and higher purchasing power of the rakyat
- ...with increased CE for agriculture and services sectors
- ...with faster and sustainable increase for B40 household income
- ...with greater balance between social and economic aspects

Pillar III: Pursuing Balanced Regional Development
Pillar VI: Strengthening Economic Growth
Pillar II: Enhancing Inclusive Development and Wellbeing
Pillar IV: Empowering Human Capital
### Exhibit 9-3

**Summary of Macroeconomic Strategies, Eleventh Malaysia Plan, 2016-2020**

*The main macro strategies are adjusted to take into account new developments*

<table>
<thead>
<tr>
<th>Category</th>
<th>Strategies</th>
</tr>
</thead>
</table>
| **Driving productivity at the national, sector and enterprise levels to ensure sustainable and inclusive growth** | - Strengthen collaboration between government, industries and academia to ensure adequate supply of industry-ready talent  
- Promote digitalisation of business operations and greater adoption of technologies to leverage the benefits of 4IR  
- Accelerate implementation of regulatory reforms to facilitate ease of doing business  
- Implement productivity initiatives at sector level with the establishment of nine Productivity Nexus  
- Develop a systematic and structured firm-level intervention through productivity enterprise programmes and existing R&D intermediaries |
| **Promoting quality investment to spearhead economic growth** | - Undertake a comprehensive review of investment policies including incentives and tax structure  
- Improve the management of all existing investment incentives to optimise resources  
- Encourage investment in Industry 4.0-related technology to reduce the gaps in the manufacturing sector |
| **Embarking on initiatives to move up the value chain** | - Encourage digitalisation and innovation to boost growth  
- Focus on knowledge-intensive services to expand the modern services sector  
- Energise manufacturing sector to produce more complex and diverse products  
- Modernise agriculture by accelerating adoption of farming technology and promoting a cluster-based approach through vertical integration of the supply chain for selected crops  
- Foster sustainable practices and enhance knowledge content to transform the construction sector |
| **Strengthening exports and managing imports to improve the balance of payments** | - Improve the export ecosystem  
- Move up the value chain for export products  
- Step up the internationalisation of services  
- Promote higher use of local inputs in major infrastructure projects  
- Spread out the imports of “lumpy” capital goods over a longer time period |
| **Emphasising a fiscal consolidation path to ensure sustainability in the medium-term** | - Increase revenue from indirect taxes and non-tax revenue  
- Maximise cost recovery of Government assets  
- Optimise and rationalise expenditure to balance economic growth objectives and fiscal consolidation  
- Improve public debt management system |
Macroeconomic Prospects, 2016-2020

**Selected Targets**

- **Investment**
  - Average growth of real private investment: 6.1%
  - Average private investment in current prices: RM 252 billion
  - Average growth of real public investment: -0.6%
  - Average public investment in current prices: RM 107 billion

- **Consumption**
  - Average growth of real private consumption: 6.8%
  - Average growth of real public consumption: 1.4%

- **International trade**
  - Average growth of gross exports: 7.5%
  - Trade balance: RM 118.3 billion
  - Current account of balance of payments at 2.5% of GNI: RM 39.9 billion

- **Unemployment**
  - Unemployment rate with full employment throughout: 2.8% (2020), below 3.5%

- **Fiscal**
  - Fiscal position: Balanced, -3.0% to GDP (2020)
**Domestic Economy**

Malaysia’s economic resilience has ensured sustained growth during the review period, 2016-2017. However, the growth trajectory for the overall Plan period has dampened as a result of the slowdown in 2016. Thus, it is crucial that the growth momentum is accelerated to achieve the macroeconomic objectives and targets. Nevertheless, the fiscal and governance reforms undertaken beginning mid-2018 will have an impact on economic growth but is anticipated to be short-lived and manageable. The short-term growth trade-off is necessary to further strengthen the economy in ensuring more meaningful economic growth for the *rakyat*.

**Exhibit 9-4**

**Factors of Production, 2016-2020**

<table>
<thead>
<tr>
<th></th>
<th>Growth, at constant 2010 prices, % p.a.</th>
<th>Share to growth in brackets, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>5.0-6.0</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>2.6 (44.0)</td>
<td></td>
</tr>
<tr>
<td>Labour</td>
<td>0.9 (16.0)</td>
<td></td>
</tr>
<tr>
<td>Multi-Factor Productivity</td>
<td>2.3 (40.0)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Department of Statistics Malaysia and Economic Planning Unit

**Productivity**

During the remaining Plan period, 2018-2020, the multi-factor productivity is targeted to improve by 2.1% per annum and the contribution to gross domestic product (GDP) growth is expected to reach 40.9%, as shown in Exhibit 9-4. This is based on the targeted increase in the number of skilled and knowledge workers in the labour force as well as greater adoption of advanced technologies and automation by industries. Correspondingly, the contribution of capital and labour inputs to GDP growth is targeted at 40.6% and 18.5%, respectively. The overall labour productivity is aimed to expand at an annual average rate of 2.9%, reaching a target of RM88,450 per worker by 2020, as shown in Exhibit 9-5. This is attributed to improved economic activities and stable employment conditions as well as the implementation of initiatives under the Malaysia Productivity Blueprint (MPB) that aims to enhance national competitiveness and productivity.

**Exhibit 9-5**

**Labour Productivity, 2015-2020**

<table>
<thead>
<tr>
<th>Labour Productivity</th>
<th>RM '000 value added per worker, at constant 2010 prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>75.6</td>
</tr>
<tr>
<td>2016</td>
<td>81.3</td>
</tr>
<tr>
<td>2017</td>
<td>88.5</td>
</tr>
<tr>
<td>2018</td>
<td>88.5</td>
</tr>
<tr>
<td>2019</td>
<td>88.5</td>
</tr>
<tr>
<td>2020</td>
<td>88.5</td>
</tr>
</tbody>
</table>

Source: Department of Statistics Malaysia and Economic Planning Unit
Aggregate Demand

In the remaining Plan period, the original GDP growth target is revised to an average annual rate between 4.5% and 5.5% supported by sustained domestic demand, especially from private sector expenditure. Based on the growth target, gross national income (GNI) per capita is expected to reach RM47,720 or US$11,700 in 2020, in line with moderate inflation. This is about 6% below the estimated minimum income threshold of a high-income nation. Malaysia is expected to achieve this income threshold by 2024. However, if growth conditions improve significantly due to a more benign external economic environment, dynamic domestic growth and a stronger ringgit, the target of achieving a high-income status may be realised earlier. Nevertheless, the goal of becoming a developed nation goes beyond merely attaining a high-income level as it must also be accompanied by higher purchasing power. At the same time, the aspiration of becoming a developed nation requires Malaysia to progress in many other dimensions, such as economics, politics, culture, psychology, spiritual and social.

Private consumption will continue to be a major source of growth and is expected to expand at an annual average rate of 7% with the share to GDP reaching 56.9% in 2020, as shown in Exhibit 9-6. This target is based on the expected favourable labour market conditions and continued growth of income levels. Meanwhile, public consumption is expected to grow moderately by 0.3% per annum, with emphasis on optimising public expenditure without affecting the quality of public service delivery.

The Government will further strengthen the ecosystem for private investment to continue as the growth catalyst, with a targeted growth of 5.7% per annum and the contribution to GDP increase from 12.3% in 2010 to 17.8% in 2020. The efforts will be continued to ensure quality private investment that creates more high-paying skilled jobs, particularly in the manufacturing and services sectors. Thus, measures to encourage investment in machinery and equipment, especially in automation, will be implemented to enhance capacity and productivity of enterprises. Furthermore, efforts will be undertaken to attract quality foreign direct investment in high value-added products and services, which utilise frontier technologies and promote technology transfer to local companies.

Exhibit 9-6
GDP by Expenditure, 2010-2020

<table>
<thead>
<tr>
<th>Growth, at constant 2010 prices, % p.a.</th>
<th>RM billion, at current prices</th>
<th>% to GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private consumption</td>
<td>6.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Private investment</td>
<td>6.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Public consumption</td>
<td>3.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Public investment</td>
<td>-0.2</td>
<td>-0.8</td>
</tr>
<tr>
<td>Exports</td>
<td>5.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Imports</td>
<td>6.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Actual 2016-2017</td>
<td>12.3</td>
<td>17.8</td>
</tr>
<tr>
<td>Target 2018-2020</td>
<td>17.8</td>
<td>20.0</td>
</tr>
<tr>
<td>Eleventh Plan (Revised) 2016-2020</td>
<td>17.8</td>
<td>20.0</td>
</tr>
</tbody>
</table>

Source: Department of Statistics Malaysia and Economic Planning Unit

1 The World Bank defines high income economies as those with a GNI per capita of US$12,056 or more in 2017.
Exhibit 9-7
Selected High-Impact Projects being Planned or Implemented, 2018-2020

Source: Economic Planning Unit
Public investment is projected to contract at 0.8% per annum, due to the revision of major infrastructure projects such as the East Coast Rail Link and High Speed Rail. However, the Government remains committed to meet the socioeconomic needs of the rakyat by undertaking high-impact projects, some of which are as shown in Exhibit 9-7. In addition, public school projects across the nation as well as rural water and electricity supply projects in Sabah and Sarawak will further enhance the wellbeing of the rakyat.

Sectoral Output

The services and manufacturing sectors will continue to drive growth for the remaining Plan period, as shown in Exhibit 9-8.

Exhibit 9-8

GDP by Economic Sector, 2016-2020

The services sector is targeted to sustain the growth momentum at an annual average rate of 6.3%, spurred by various initiatives through the Services Sector Blueprint as well as efforts in promoting Digital Free Trade Zone and productivity improvements under the MPB. The consumption-related services, namely, the retail trade, accommodation as well as food and beverage subsectors are expected to benefit from higher household income as well as greater tourist spending. The contribution of the modern services subsector is also targeted to expand further by 2020, supported by better outlook in the ICT services as well as the private education and healthcare subsectors.

The manufacturing sector is targeted to grow at 4.5% per annum, largely driven by the shift towards high value-added, diverse and complex products, particularly in the fields of electrical and electronics, machinery and equipment, chemicals and chemical products, aerospace and medical devices. The export-oriented industries will continue to contribute significantly to the growth of the manufacturing sector, underpinned by rising demand for cloud data centres and electronics in the automotive industry as well as emerging artificial intelligence applications for smart cities and autonomous vehicles.

The construction sector is targeted to moderate at an annual average rate of 4.3% due to slower growth of residential and non-residential subsectors. However, greater adoption of the industrialised building system and ongoing civil engineering projects such as the Mass Rapid Transit 2 and Pengerang Integrated Petroleum Complex in Johor are expected to contribute to the growth of the sector. Nevertheless, the overall growth momentum of the government civil engineering subsector is expected to dampen due to reprioritisation of major infrastructure projects to rationalise the fiscal position of the Federal Government.

Source: Department of Statistics Malaysia and Economic Planning Unit
The **agriculture sector** is targeted to register higher growth at 2% per annum, stemming from the increased production of palm oil, rubber and food crops. By and large, industrial commodities continued to be the mainstay with the contribution targeted at 56.4% of the total value added in 2020. In addition, the contribution of the agro-food subsector is targeted to increase, with emphasis on productivity improvements and modernisation as well as the introduction of new sources of wealth, such as premium-grade fruits, high-yielding coconut varieties and large-scale grain corn production.

The **mining sector** is targeted to grow marginally at 0.1% due to the extended commitment to cut production by the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC countries as well as the disruption of natural gas supply in the Sabah-Sarawak Gas Pipeline in 2018. However, the production of natural gas is expected to surge following the construction of the PETRONAS floating liquefied natural gas 2 at the Rotan field, offshore Kota Kinabalu, Sabah. This facility is scheduled to be completed in 2020 to meet expected higher global demand for low-carbon energy.

### GDP by Income

Increasing the share of **compensation of employees** (CE) to GDP remains a priority of the Government, in order to reduce income disparity between capital owners and employees, as shown in Exhibit 9-9. **Gross operating surplus** (GOS), which is made up of the income of capital owners and mixed income, is expected to reduce to 58.2% of GDP in 2020. Meanwhile, CE is targeted to achieve at least 38% share of GDP, supported by continuous growth in salary of employees. Nevertheless, this CE target has yet to reach that of high-income countries, such as Australia at 47.3%, Republic of Korea at 44.4% and Singapore at 42.4%.

**Exhibit 9-9**

GDP by Income, 2015-2020

<table>
<thead>
<tr>
<th>Year</th>
<th>Compensation of employees</th>
<th>Income of capital owners</th>
<th>Taxes less subsidies</th>
<th>Share to GDP in italic, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,158.5</td>
<td>34.8</td>
<td>38.0</td>
<td>22.4</td>
</tr>
<tr>
<td>2016</td>
<td>1,231.0</td>
<td>35.3</td>
<td>36.5</td>
<td>23.0</td>
</tr>
<tr>
<td>2017</td>
<td>1,353.4</td>
<td>35.2</td>
<td>37.7</td>
<td>22.3</td>
</tr>
<tr>
<td>2020</td>
<td>1,655.4</td>
<td>38.0</td>
<td>35.7</td>
<td>22.5</td>
</tr>
</tbody>
</table>

Notes: 1 Income earned by self-employed, unincorporated businesses and others.
Source: Department of Statistics Malaysia and Economic Planning Unit
GDP by State

During the remaining Plan period, most states are expected to record moderate growth rates, as shown in Exhibit 9-10. The services and manufacturing sectors are anticipated to remain as the main drivers of economic growth in the states with continuous efforts to attract investment in all regions. Greater emphasis will be given in ensuring a balanced regional development by further diversifying the economic base and developing knowledge-based activities to create more job opportunities and generate higher income. High-impact projects will continue to spur economic growth to address imbalances between states and among regions as well as improve inclusivity. In terms of GDP per capita, most states are expected to narrow the gap while four states and all three federal territories will exceed the national average in 2020.

International Trade and Balance of Payments

The growth of gross exports in the remaining Plan period is expected to be sustained at an annual average rate of 6.2%, supported by firmer commodity prices and continued demand from trading partners. Gross imports are estimated to rise by 6.1% per annum, led by imports of capital and intermediate goods. Strategies and measures will be implemented to enhance exports and manage imports to ensure the trade balance remains in surplus, targeted at RM118.3 billion in 2020.

The current account of the balance of payments is projected to remain in surplus at RM39.9 billion or 2.5% to GNI in 2020 compared with RM40.3 billion or 3.1% to GNI in 2017. Higher surplus in the goods account amid continued deficit in the services and income accounts are expected to contribute to the increase in the current account surplus. The rise in travel receipts and the enhancement of modern services exports are targeted to lower the deficit in the services account. The income accounts are expected to remain in deficit, stemming from the continued repatriation of income by foreign investors and remittances by foreign workers in Malaysia.

Federal Government Fiscal Position

In the remaining Plan period, the Federal Government will undertake measures to strengthen its medium-term fiscal position, among others by strengthening the management of public debt and accelerating institutional reforms. These measures will be balanced with the need to sustain growth and deliver quality public services in ensuring the wellbeing of the rakyat. However, fiscal targets will be flexible during the transition period of the new administration to shore up growth. The economy may react to these immediate fiscal reforms in the short term but these reforms are necessary in order to lay down a firmer foundation for a more sustainable and inclusive growth.
During the transition period, the fiscal deficit is expected to temporarily be beyond the target set during the last Budget before reverting to the fiscal consolidation path. Thus, the fiscal deficit is targeted to be at 3.0% to GDP in 2020. The consolidation will be achieved through a multipronged approach towards strengthening fiscal management.

**Revenue** will continue to be diversified by increasing the contribution of indirect taxes and non-tax revenue such as licenses, permits, fees and rentals. The improved version of the sales and services tax (SST) has replaced the goods and services tax (GST) in September 2018. As e-commerce and activities related to sharing economy are on the rise, the Government will explore imposing tax on these online transactions. More initiatives to improve tax compliance will also be undertaken to ensure collection is maximised from both direct and indirect taxes. Meanwhile, non-tax revenue will be enhanced, among others, by maximising the cost recovery of Government assets, where more agencies will be empowered to improve the utilisation rate of assets. In this regard, the funds accrued will be used to finance operating costs, particularly for asset maintenance. These efforts will reduce Government dependency on oil-related revenue that is inherently volatile.

**Operating expenditure** will be further consolidated in the remaining Plan period, thus maintaining a surplus current account balance. Among the measures include reforming Government agencies, strengthening procurement process of all supplies and services including through open tenders as well as restructuring debt. In addition, programmes will be reprioritised to improve the effectiveness of Government spending. The management of development projects will also be reviewed, in particular the governance structure of project appraisal and selection, to reduce the risk of delays and cost overruns.

The Government is committed to adopt greater transparency in public finance reporting by accelerating the full implementation of accrual accounting. Under this method, revenue and expenses will be recorded when earned and incurred, respectively. Obligations such as debt, contingent liabilities and financial leases, will also be accounted for when the obligations are undertaken, enabling a more comprehensive management of public finance.

**Development expenditure** ceiling will be rationalised from the original allocation of RM260 billion to RM220 billion for the overall Plan period, 2016-2020, to consolidate the fiscal position. This is necessary taking into account lower Government revenue contributed by volatile global crude oil price during the review period and abolishment of GST in 2018. Nevertheless, further private sector involvement in driving the economy will alleviate the impact of the reduced investment from the public sector. Public investment will focus on strengthening public infrastructure and developing economic enablers. Over 4,000 ongoing projects will still be continued across the nation, among others, the building of affordable houses, schools, hospitals and roads.

The Federal Government debt, contingent liabilities and commitment made under public-private partnership projects stood at 80.3% to GDP in 2017. This level was higher than 50.8% reported as Federal Government debt. Taking into account the importance of looking at Government commitment beyond debt, initiatives will be taken to enhance the management of Government finance covering contingent liabilities and other obligations. Despite existing stringent fiscal sustainability guidelines, financial governance will be further improved to ensure institutional checks and balances. Systematic, comprehensive and transparent financing governance mechanism and debt management system, as in Indonesia and Thailand, will be established in Malaysia. Therefore, the debt position of the nation will be regularly reported to the public, strengthening financial management and credibility of the Government.

**Inflation and Labour Market**

The Government will continue to monitor closely the price movements as well as adopt appropriate monetary policy and strengthen administrative measures to contain inflation. As such, the inflation rate is expected to remain low, averaging between 2% and 3% per annum, despite expected moderate rise in global oil and commodity prices. Measures will also be undertaken to address the issue of rising cost of living to strengthen the purchasing power of the rakyat. Among others, these include advocating greater consumerism, enhancing enforcement of the price control regulations and provide more avenues offering affordable and competitive prices of goods and services to the rakyat.
Labour market conditions are expected to remain stable with full employment throughout the remaining Plan period with the unemployment rate below 3.5%. The high youth unemployment will be addressed by reviewing labour market conditions. Among others, better quality and high-impact training programmes will be provided and the Future Workers Training scheme expanded to equip job seekers with relevant skills in meeting industry demand. The functions of urban transformation centres and rural transformation centres will be expanded to include one-stop job centres to provide advisory and job matching services for job applicants. In addition, the Critical Occupation List report will be made available at the centres as reference to students and industries in order to minimise job mismatch.

Malaysian Wellbeing Index

In the remaining Plan period, efforts will continue to ensure that the wellbeing of the rakyat improves in parallel with economic growth. Greater focus will be given to address the various areas of concern, such as family life, health and environment. Strategies and initiatives such as strengthening the family institution, combating diseases and providing better living environment, will be intensified to ensure growth is meaningful. Thus, the Malaysian Wellbeing Index is targeted to improve by 1.7% per annum in the remaining Plan period.
Conclusion

Achieving a developed and inclusive nation status goes beyond merely attaining a high income, it must also be accompanied with higher purchasing power. In addition, this aspiration requires Malaysia to progress in many other dimensions before it can consider itself truly advanced. In this regard, the Government will endeavour to ensure quality, inclusive and sustainable growth in the long term to enable the rakyat to prosper and enjoy the fruits of development. While the reforms of the new administration may have a short-term impact on the nation, it is a necessary trade-off to steer the economy on a sustainable path in ensuring more meaningful growth for the rakyat. Growth objectives will be pursued simultaneously with social and distributional dimensions of development for Malaysia to become a developed economy and inclusive nation.