Advancing Development of the East Coast: Turning Vision Into Reality

18 October 2014

ECONOMIC PLANNING UNIT,

PRIME MINISTER'S DEPARTMENT

BRIEFING OUTLINE

- CURRENT ECONOMIC OUTLOOK
- REGIONAL DEVELOPMENT
- ACHIEVEMENT
- ISSUES & CHALLENGES
- WAY FORWARD
- CONCLUSION

Key highlights of 2014-2015

1 **Real GDP growth**

- Growth is supported by sustained domestic demand and increased contribution from the external sector due to recovery of the world economy
- While services and manufacturing sectors remain the key contributors to growth with support from agriculture
- The GDP is expected to grow about 5.0-5.5% per annum

2 **Balance of payments**

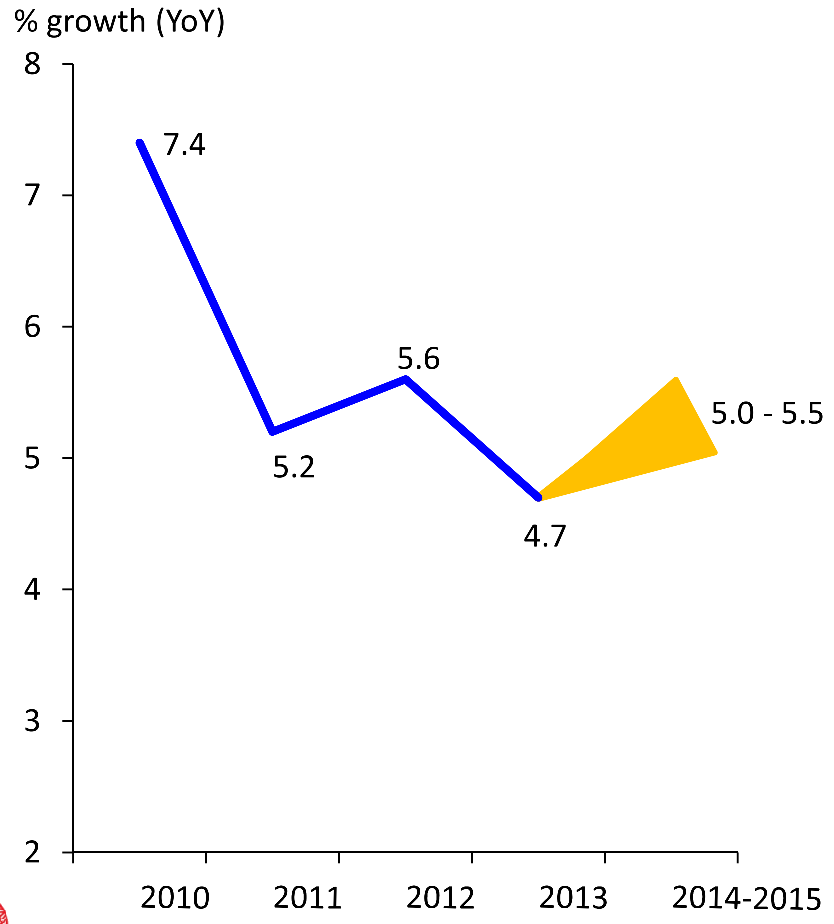
- Current account surplus is expected to be sustained, albeit at lower level, following moderate growth in the goods account and lower deficit in the services account

3 **Federal Government finance**

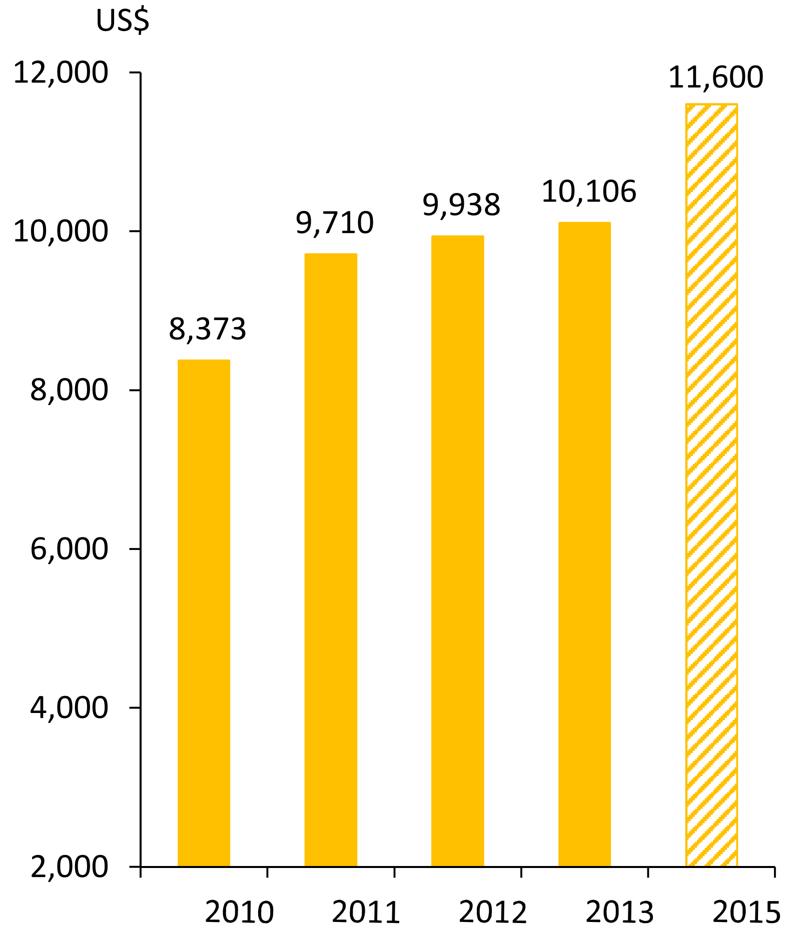
- Federal Government's financial position is expected to improve due to better tax collection, as well as subsidy rationalisation exercise

The 10th Malaysia Plan, 2011-2015

1 **Real GDP growth is estimated to remain at 5.0-5.5% p.a in 2014-2015**



2 **This growth will be translated into GNI per capita growth of 7.1% p.a.**



Sources: Economic Planning Unit, Department of Statistics

REGIONAL DEVELOPMENT

" **An important agenda** of the Government is to ensure that **development** is **spread** throughout the country. Towards this end, the economic corridor development continues to be **intensified**, beginning with the **IDR** and the **NCER**. I am glad that these two initiatives have been **well received** by all Malaysians. The **East Coast Economic Region** as well as **the Sabah Corridor** and the **Sarawak Corridor** will be launched soon. "

YAB Dato' Sri Abdullah bin Hj. Ahmad Badawi
Prime Minister of Malaysia
7 September 2007

ISKANDAR MALAYSIA

KORIDOR UTARA

WILAYAH EKONOMI PANTAI TIMUR

SABAH DEVELOPMENT CORRIDOR

SARAWAK CORE CORRIDOR OF RENEWABLE ENERGY

REGIONAL DEVELOPMENT

- **Introduction Of Regional Planning**
  Northern, Central, Southern, **Eastern**, Sabah, Sarawak
- **Regional Development Authority (RDA)** Areas
- **Integrated Agriculture Development Programmes (IADPs)**

Initiation Of Five Economic Corridors
To bridge development imbalances through public-private partnerships (PPP) approach.

1970's

9^{th} MP
2006-2010

Starts

2020

1990's

10^{th} MP
2011-2015

Joint Development Initiatives
Development of **Growth Triangles** through among neighbouring countries (with Development Partners - Japan, China, ADB, IDB,UNDP, the World Bank):

- **IMT-GT;**
- **BIMP-EAGA;**
- **JDS**

Focusing Corridors around Clusters
Economic development of the regions will be accelerated by **focusing** around a limited number of high-density clusters in the corridors that have sector and geographic advantages.

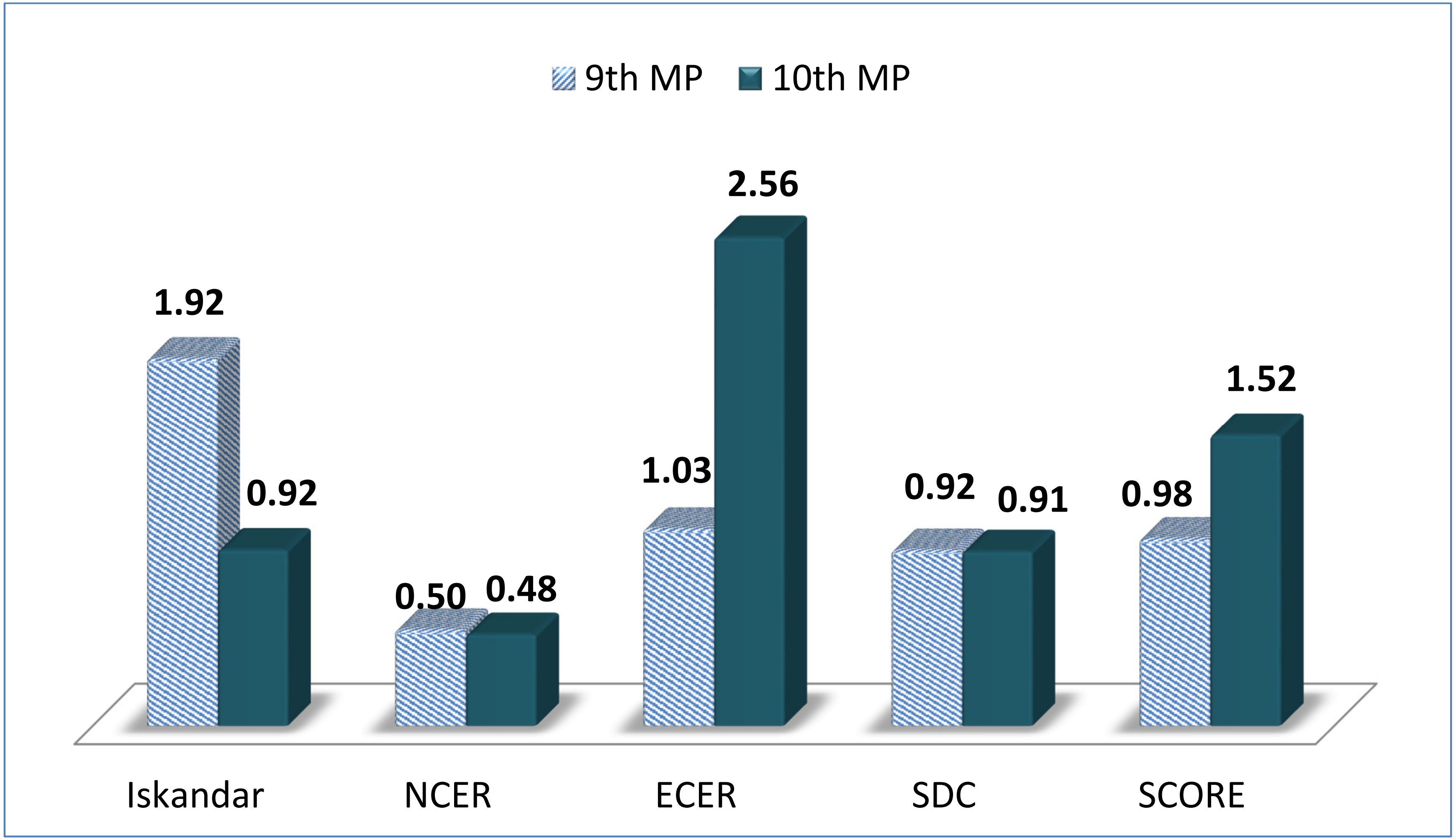
Development Impact

- Reduction of poverty and improve accessibilities to infrastructure and services;
- Development of economic sectors in remote areas (agriculture, industry and services);
- Development of remote areas – Jengka, Gua Musang, Sintok;
- New road networks;
- New employment opportunities and new sources of growth;
- 36 new townships with new population;
- Reduce development gap between regions

OBJECTIVES

1. To promote a balanced regional development;
2. To accelerate the transformation towards a high-value, knowledge-driven economic activities and high income economy;
3. To enhance the role of private sector as driving force for regional growth – identify anchor and supporting investors in each region;
4. To identify key enablers for conducive business environment in selected sectors and areas; and
5. To implement programmes and projects based on respective regional corridor Master Plans, National Physical Plan and the 5-year National Development Plan.

DEVELOPMENT ALLOCATION

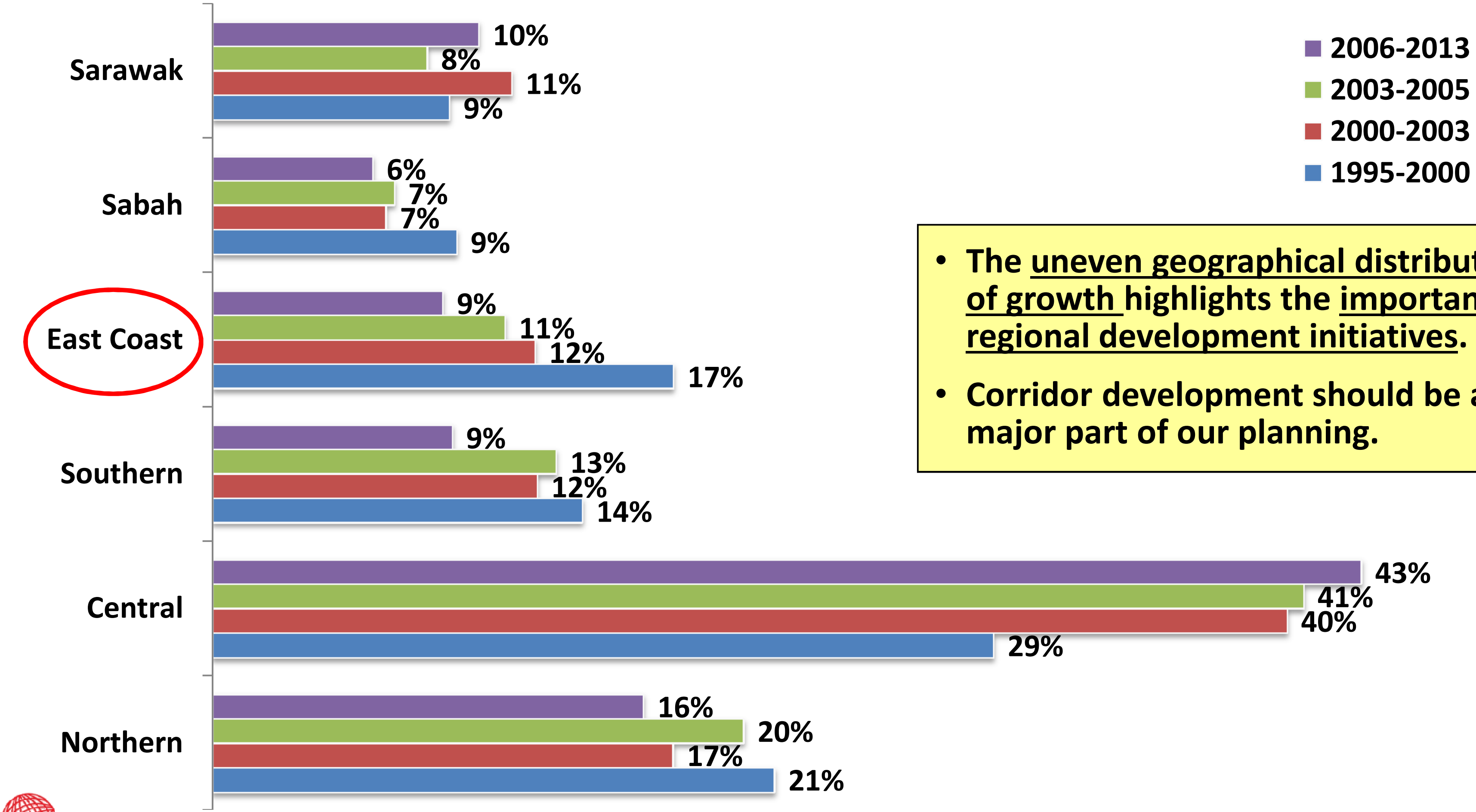


Note : [1] Allocation in 10th MP is from 2011 – 2014.

WHY CORRIDOR?

GETTING EVERYBODY ON BOARD: THINK CORRIDORS

Regional Contribution to National Economic Growth
% of absolute increase in Malaysia GDP

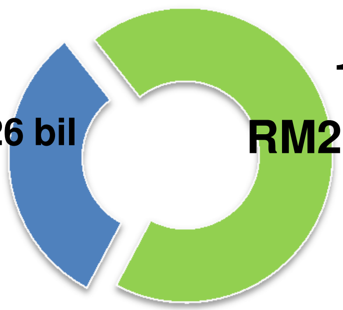


- **The uneven geographical distribution of growth highlights the importance of regional development initiatives.**
- **Corridor development should be a major part of our planning.**

ACHIEVEMENTS

Regional Economic Corridors Achievements, 9MP & 10MP(2011-2014 Q2)

Investment, 38.1% achieved



Jobs, 18.6% achieved

4,670,000 Target[1]	870,000 Created

Iskandar Malaysia

	Investment (RM 'bil)	Jobs 'mil
Target	382.0	0.81
9MP	69.48	0.55
10MP	76.72	

NCER

	Investment (RM 'bil)	Jobs 'mil
Target	178.0	1.57
9MP	7.47	0.06
10MP	39.53	

ECER

	Investment (RM 'bil)	Jobs 'mil
Target	112.0	0.56
9MP	17.6	0.05
10MP	51.2	

SDC

	Investment (RM 'bil)	Jobs 'mil
Target	115.0	0.9
9MP	20.15	0.55
10MP	107.95	

SCORE

	Investment (RM 'bil)	Jobs 'mil
Target	334.0	0.83
9MP	17.56	0.02
10MP	19.84	

Note: [1] total based on individual corridor development plan
Source: Regional Corridor Authority

GDP BY STATE, 2005 - 2013

State	2005		2010		2013	
	Contribution (RM)	Share Rate (%)	Contribution (RM)	Share Rate (%)	Contribution (RM)	Share Rate (%)
Southern Region						
Johor	50,058	9.2	60,679	9.0	72,275	9.2
Northern Region	***21,898***	***4.0***	***27,013***	***4.0***	***31,709***	***4.0***
Perlis	2,845	0.5	3,318	0.5	3,648	0.5
Kedah	17,829	3.3	21,998	3.3	26,434	3.4
Pulau Pinang	39,186	7.2	48,161	7.1	54,968	7.0
Perak	27,733	5.1	34,576	5.1	41,787	5.3
Central Region	***53,747***	***9.9***	***74,609***	***11.0***	***89,986***	***11.4***
Selangor	113,185	20.8	155,739	23.0	186,548	23.5
Melaka	15,049	2.8	19,689	2.9	22,646	2.9
Negeri Sembilan	19,736	3.6	25,177	3.7	28,691	3.6
FT Kuala Lumpur	67,017	12.3	97,830	14.5	122,059	15.5
Eastern Region	***15,884***	***2.9***	***19,320***	***2.8***	***22,335***	***2.8***
Pahang	23,061	4.2	27,484	4.1	32,489	4.1
Terengganu	15,562	2.9	18,487	2.7	20,554	2.6
Kelantan	9,031	1.7	11,991	1.8	13,963	1.8
Sabah	32,427	6.0	42,101	6.2	45,791	5.8
Sarawak	57,700	10.6	66,947	9.9	74,887	9.5
FT Labuan	2,146	0.4	2,646	0.4	3,475	0.4
MALAYSIA	**543,578**	**100.0**	**676,650**	**100.0**	**787,611**	**100.0**

Source: Department of Statistic, Malaysia

GDP PER CAPITA BY STATE, 2005 – 2013

State	2006 RM	2013 RM	AAGR (%)
Southern Region			
Johor	16,298	25,302	5.8
Northern Region	***16,808***	***23,285***	***5.9***
Perlis	12,761	18,519	4.8
Kedah	9,811	16,316	6.7
Pulau Pinang	26,833	38,356	4.8
Perak	12,320	21,150	7.1
Central Region	***28,738***	***46,186***	***6.8***
Selangor	23,494	37,851	6.2
Melaka	20,410	34,109	6.7
Negeri Sembilan	20,768	33,033	6.1
FT Kuala Lumpur	42,414	79,752	8.3
Eastern Region	***14,184***	***20,240***	***6.3***
Pahang	16,534	26,759	6.4
Terengganu	15,863	23,285	5.1
Kelantan	6,075	10,677	7.4
Sabah	11,134	18,603	7.2
Sarawak	25,291	41,115	6.8
FT Labuan	26,552	43,848	6.7
MALAYSIA	**20,870**	**32,984**	**6.4**

Source: Department of Statistic, Malaysia

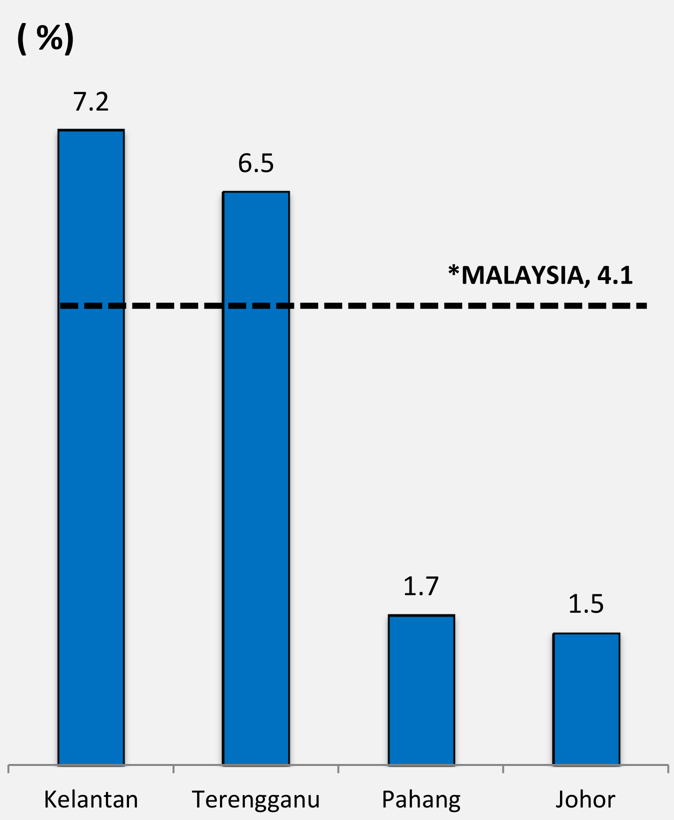
MEAN MONTHLY GROSS HOUSEHOLD INCOME BY STATE, 2007 – 2012

State	2007	2009	2012
	RM	RM	RM
Southern Region			
Johor	3,457	3,835	4,658
Northern Region	***2,875***	***3,125***	***3,892***
Perlis	2,541	2,617	3,538
Kedah	2,408	2,667	3,425
Pulau Pinang	4,004	4,407	5,055
Perak	2,545	2,809	3,548
Central Region	***4,415***	***4,794***	***6,236***
Selangor	5,580	5,962	7,023
Melaka	3,421	4,184	4,759
Negeri Sembilan	3,336	3,540	4,576
FT Kuala Lumpur	5,322	5,488	8,586
Eastern Region	***2,534***	***2,944***	***3,627***
Pahang	2,995	3,279	3,745
Terengganu	2,463	3,017	3,967
Kelantan	2,143	2,536	3,168
Sabah & FT Labuan	2,866	3,144	4,089
Sarawak	3,349	3,581	4,293
FT Putrajaya	5,294	6,747	8,101
MALAYSIA	**3,868**	**4,025**	**5,000**

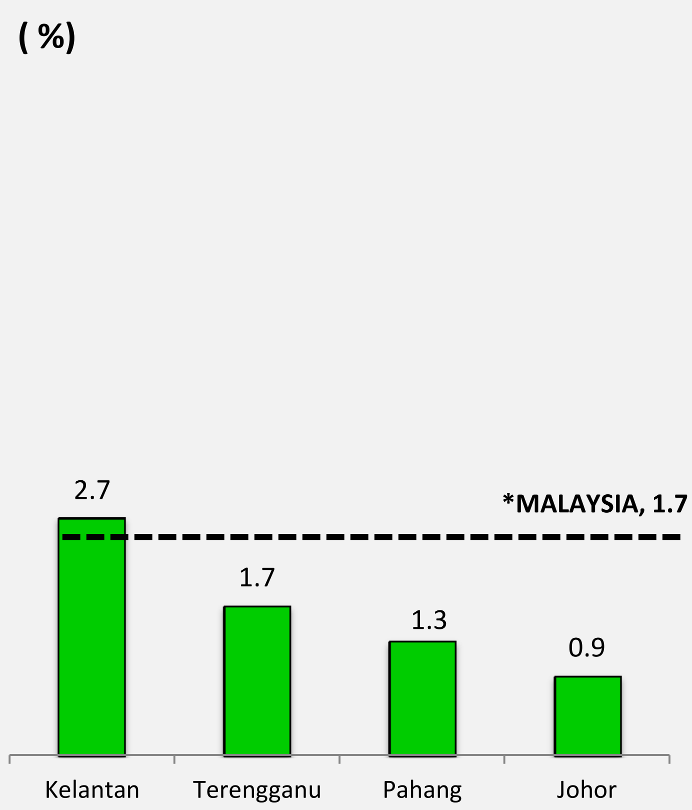
Source: Department of Statistic, Malaysia

POVERTY RATE, 2005 – 2012

2007



2012



Poverty rate has declined in the ECER states

Source: Department of Statistic

ISSUES & CHALLENGES






Challenges to be Addressed

Productivity	Lagging productivity level
Structural Transformation	Slow structural transformation
Human Capital	Insufficient high-income jobs and skilled labour
Product Competitiveness	Declining comparative advantage
Fiscal Sustainability	Tight room for maneuverability
Income Distribution	Half of households remain in low middle-income group

ISSUES & CHALLENGES FACED BY REGIONAL CORRIDORS

Private Sector Participation & Investment	• Unfavourable ecosystem • Low domestic demand
Connectivity & Mobility	• Inadequate provision of infrastructure • Inefficient transportation system & utilities
Human Capital	• Mismatch specialise skill • Low and non-competitive wages & salaries • High dependencies on unskilled foreign worker
Socioeconomic Development	• High cost of living for locals • Inequitable assets/benefits distribution (local & foreigner) • Insufficient provision of affordable houses • Lack of social activities for especially for youth
Delivery System	• Misalignment of corridor development planning with ministries/agencies - redundancy of programmes & activities - inefficient used of resources

ISSUES & CHALLENGES IN THE EAST COAST REGION

To promote **private investment** and **participation**

To attract more **talent** and **skilled** workforce

To increase the **income level** and reduce **poverty rate**

To improve **connectivity** and mobility

Vast and **resource-rich** areas

WAY FORWARD

WAY FORWARD FOR ECER

Enhance **infrastructures & facilities**

Increase **private sector participation** & promoting **downstream activities**

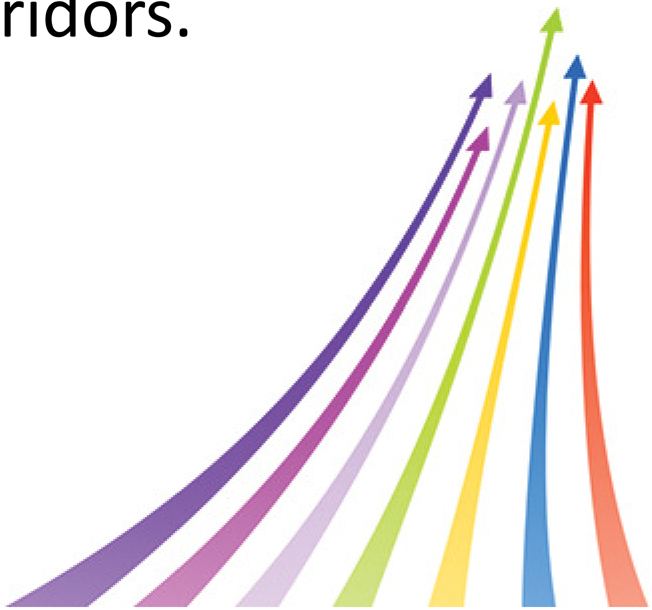
Redevelop **cities** to be vibrant with unique identity

Improve **connectivity** –industrial parks/resourced area

Promotes large scale **commercial agricultures**

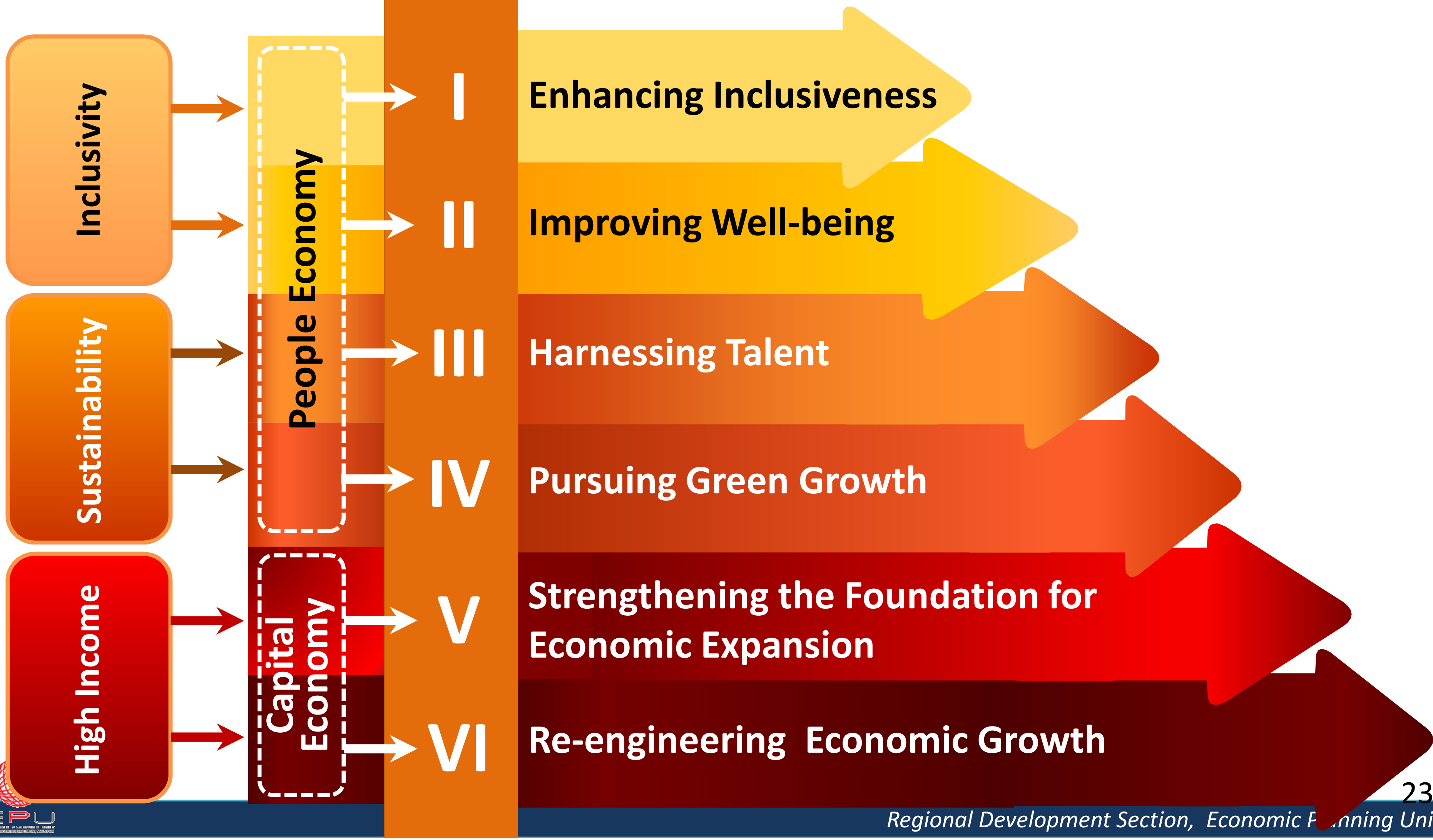
WAY FORWARD

Corridor development in Eleventh Malaysia Plan will built further on the Tenth Plan by shifting and accelerating growth in the high knowledge intensive and high value sectors of the economy within the respective Corridors.



New Economic Model

Eleventh Malaysia Plan Strategic Thrusts



CONCLUSION

- Corridor development helps to reduce development gap between regions through focus and integrated initiative of cluster development within the corridor;

- No segment of society is neglected and inclusive development is about ensuring that the bottom 40% of the population are catered to by implementing equitable policies and initiatives to assist them.

- Implementation of regional corridor help spread the development across the country to ensure all Malaysians benefit from development and improve their quality of life.

THANK YOU

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