



# A NOTE FROM THE PRIME MINISTER

**T**he Economic Transformation Programme (ETP) arrived at a major milestone in 2014. We are now at the halfway point of Malaysia's goal of achieving developed nation status by 2020, and I am glad to say that we remain on track.

I have heard the concerns about the rising cost of living, how Malaysia would cope with a fall of more than 50 per cent in the price of oil, and the value of the ringgit being affected by global currency fluctuations. Our focus is always on the people, which is why we are already attempting to address their needs through the Kedai Rakyat 1Malaysia, the 1Malaysia clinics and the PR1MA housing developments.

But more recent developments also need to be taken into account. And this is why in January I announced that we are revising this year's fiscal deficit and expenditure figures, making use of the policy space we have created to respond to global economic changes.

I also set out a strategy to counter external developments and strengthen Malaysia's economic resilience by continuing fiscal reform and consolidation, assisting people and businesses affected by the recent floods, and ensuring sustainable development.

In an increasingly interconnected world, it is important that we build a stronger and more resilient economy. That is why we have taken steps to rationalise subsidies, while at the same time diversifying the economy and reducing reliance on oil revenue. As a result, the Malaysian economy is increasingly resilient and better able to cope with economic impacts beyond our control.

Our economic policies are working and our economic fundamentals are strong: Malaysia's GDP is projected to grow by between 4.5-5.5 per cent in 2015. Our deficit is falling, our reserves are strong, we have trusted financial

institutions, low unemployment, and record levels of foreign investment.

We must continue diversifying our economy while powering on with fiscal reforms. The ETP plays a significant role in this through the programme's 12 National Key Economic Areas (NKEAs), which include projects such as the Mass Rapid Transit (MRT) which both enhance the rakyat's quality of life and help to catalyse business growth.

Initiatives like Advanced Shared Facilities, under the Electrical and Electronics NKEA, have allowed SMEs to research and develop higher-value products. The Business Services NKEA, meanwhile, has helped move Malaysia up the value chain in specialised sectors such as aerospace and shipbuilding.

Upskilling of our capabilities so that we are equipped with the expertise needed to achieve a developed nation status is key. The Human Capital Development SRI has been instrumental in this and

as a result, in 2014 the World Economic Forum's Human Capital Index ranked Malaysia 22nd out of 122 countries and fifth in the Asia Pacific region.

We have also made strong progress in promoting inclusiveness and income equality through the Narrowing Disparity SRI, led by *Unit Peneraju Agenda Bumiputera* (TERAJU) which also oversees the Bumiputera Economic Empowerment Programme (*Pemeriksaan Ekonomi Bumiputera – PEB*) launched in 2014. A programme close to my heart, the PEB builds on existing initiatives, such as the RM47.07 billion worth of business and financing opportunities that have been created since TERAJU's inception, to accelerate Bumiputera development.

We have also taken steps to widen our revenue base through the Goods and Services Tax (GST) — to be introduced in April 2015. An important initiative under the Economic Transformation Programme, the GST is a strategic reform aimed at modernising our taxation system to make it more effective, more efficient and more business friendly.

I am confident that we are on the right track to meet the targets set for 2020. And I wish to express my appreciation to the civil service, whose work in launching and implementing the ETP has been central to our efforts, to the private sector participants who continue to drive this programme, and to the rakyat for their support.

Let us remain focused on delivering at every stage as we move closer to 2020, and I look forward to the entire nation sharing the fruits of our labour.



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**YANG AMAT BERHORMAT  
DATO' SRI MOHD NAJIB TUN HJ. ABDUL RAZAK**  
Prime Minister of Malaysia