

**THE
NEW ECONOMIC MODEL
(NEM)**

Goals of NEM

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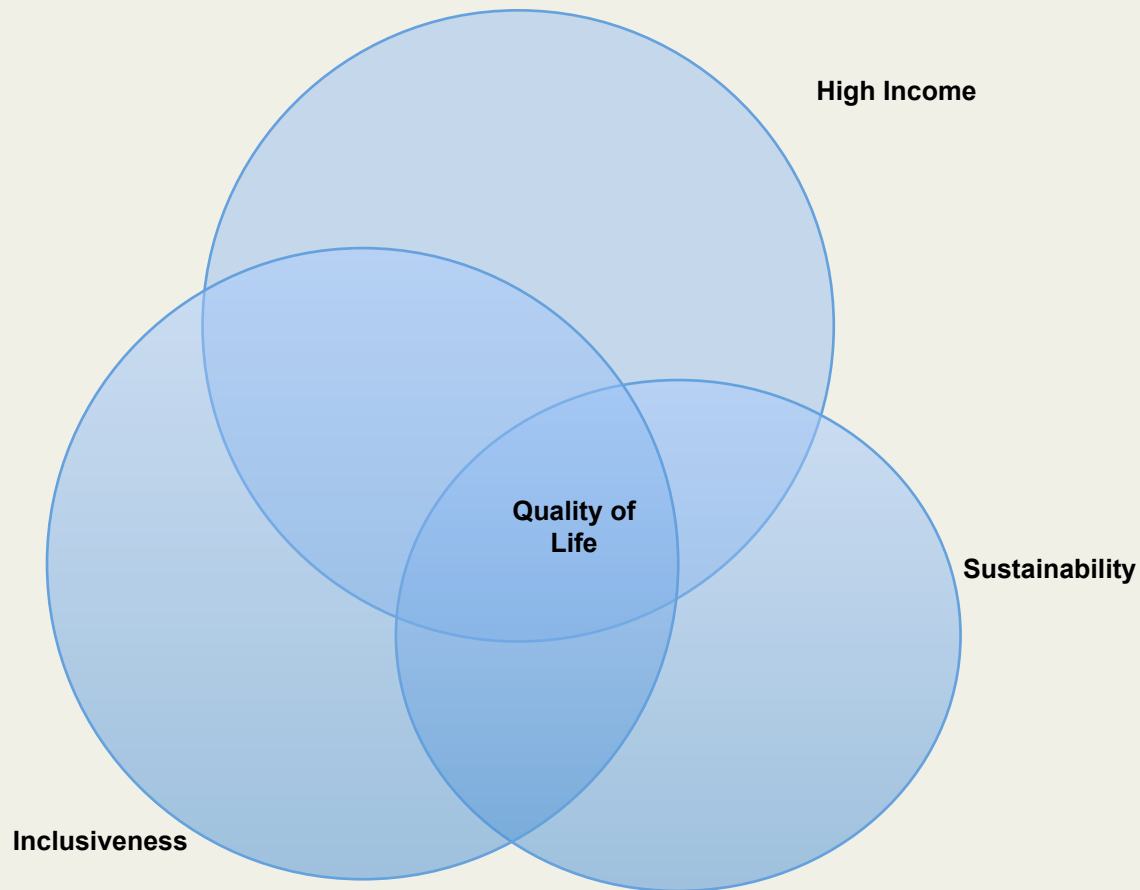
- ◆ **High income: target of US\$15,000- US\$20,000 per capita by 2020**
- ◆ **Inclusiveness: all communities should benefit from growth of the economy**
- ◆ **Sustainability: without economic and environmental sustainability**
 - ◆ **Fiscal sustainability is an important consideration**

Goals of NEM

Objectives of NEM:

- ◆ To achieve high quality of life for rakyat
- ◆ To ensure that rakyat enjoy
 - (i) High per capita income
 - (ii) Equitable distribution of income
 - (iii) Sustainability
- ◆ The 3 pillars of NEM are high income, equal distribution and sustainability

NEM and HDI



- ◆ The focus of NEM should be on the intersection of the 3 sets, so as to gain high quality of life for rakyat
- ◆ Achieving high income is only one of the aspects
- ◆ NEM should give emphasis on inclusiveness and sustainability
- ◆ Success of NEM depends on achieving high quality of life, not just high income

Human Development Index (HDI)

- ◆ HDI shifts focus from national income accounting to people-centred policies
- ◆ NEM is people-centred and captures the goals of HDI
- ◆ HDI measured through:
 - Life expectancy at birth, as index of population health and longevity
 - Knowledge and education, through adult literacy rate and good enrollment
 - Standard of living, measured through natural logarithm of GDP per capita at PPP

Human Development 2007 (ASEAN)

	Life expectancy At birth (years)	Adult literacy (% aged 15 and above)	GDP per capita (PPP)	GDP Per capita (US\$)
High human development	72.4	94.1	12,569	8470
Very high human development				
23 Singapore	80.2	94.4	49,704	35,163
30 Brunei Darussalam	77.0	94.9	50,200	30,032
High Human Development				
66 Malaysia	74.1	91.9	13,518	7,033
Medium Human Development				
87 Thailand	68.7	94.1	8,135	3,844
105 Philippines	71.6	93.4	,3406	1,639
111 Indonesia	70.5	92.0	3,712	1,918

NEM and HDI

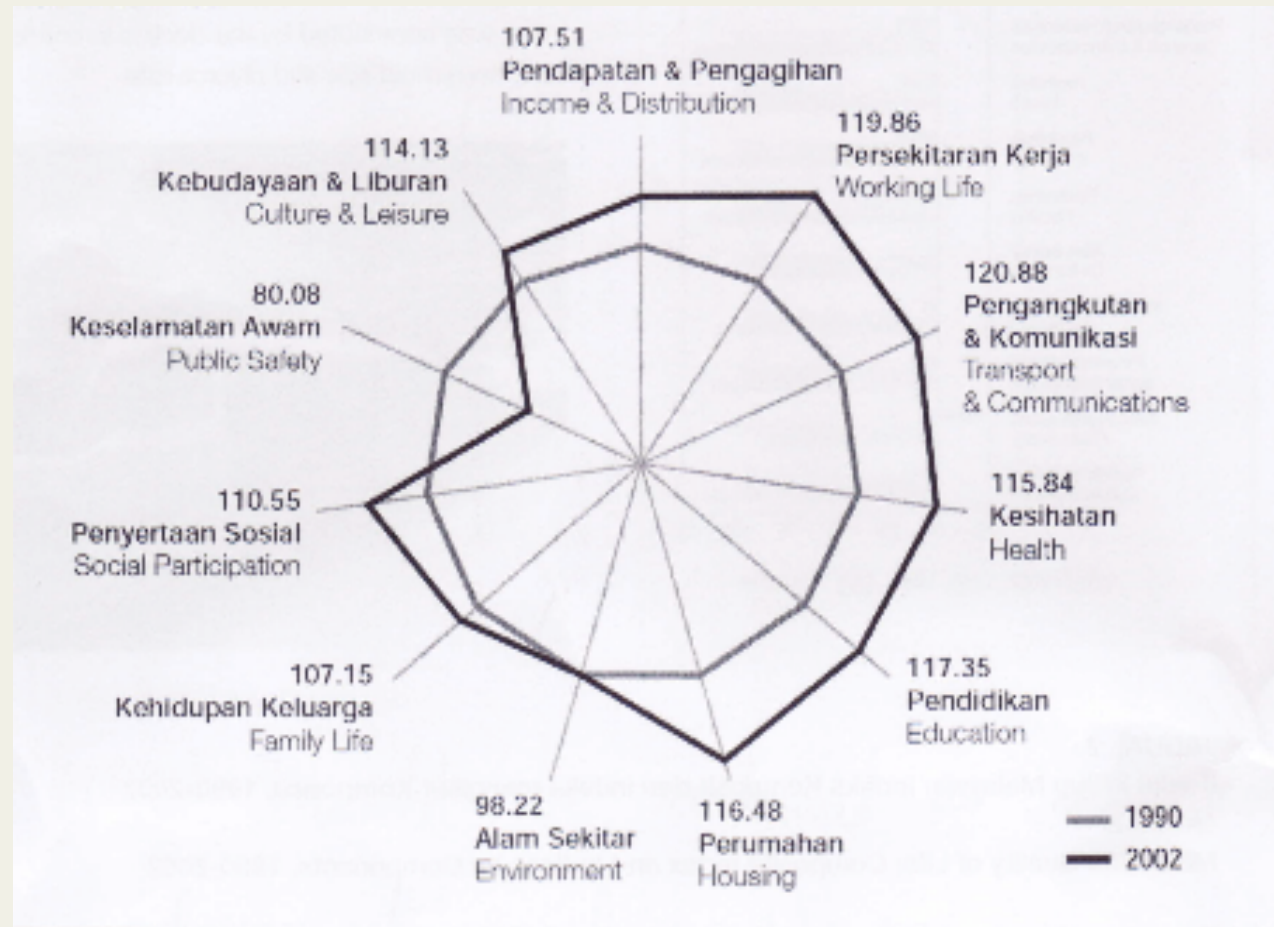
- ◆ **NEM will drive Malaysia to achieve higher HDI score**
- ◆ **Malaysia's HDI ranking is 66 out of 182 countries**
- ◆ **Malaysia is "High HDI" category**
- ◆ **Between 1980 to 2007 HDI rising by 0.81% annually from 0.666 to 0.829**
- ◆ **NEM must push Malaysia from the "High" category to the "Very High" HDI status**
- ◆ **Increasing income is only one measure; it is necessary to improve Malaysia's ranking for education and health to achieve "Very High" HDI status**

Malaysia Quality of Life Index (MQLI)

- ◆ MQLI is a good measure for tracking achievements of NEM
- ◆ 3 pillars of NEM (i.e. income, distributional justice and sustainability) captured by MQLI
- ◆ MQLI based on indices for 11 areas:
 1. Income and distribution
 2. Working life
 3. Transport & communications
 4. Health
 5. Education
 6. Housing
 7. Environment
 8. Family life
 9. Social participation
 10. Public safety
 11. Culture and leisure
- ◆ Above-mentioned are all areas of relevance to NEM

Malaysian Quality of Life Index

- ◆ Last MQLI published in 2004



- ◆ MQLI should be continued as indicator of achievements under NEM

Malta & Malaysia: A Comparison

Country	HDI Value	Life expectancy years	Adult literacy rate %	Gross enrolment ratio	GDP per capita (PPP US\$)
Malta	0.902 (38)	79.6 (20)	92.4 (60)	81.3 (52)	23,080 (39)
Malaysia	0.829 (60)	74.1 (55)	91.9 (62)	71.5 (102)	13,518 (61)

Malta & Malaysia

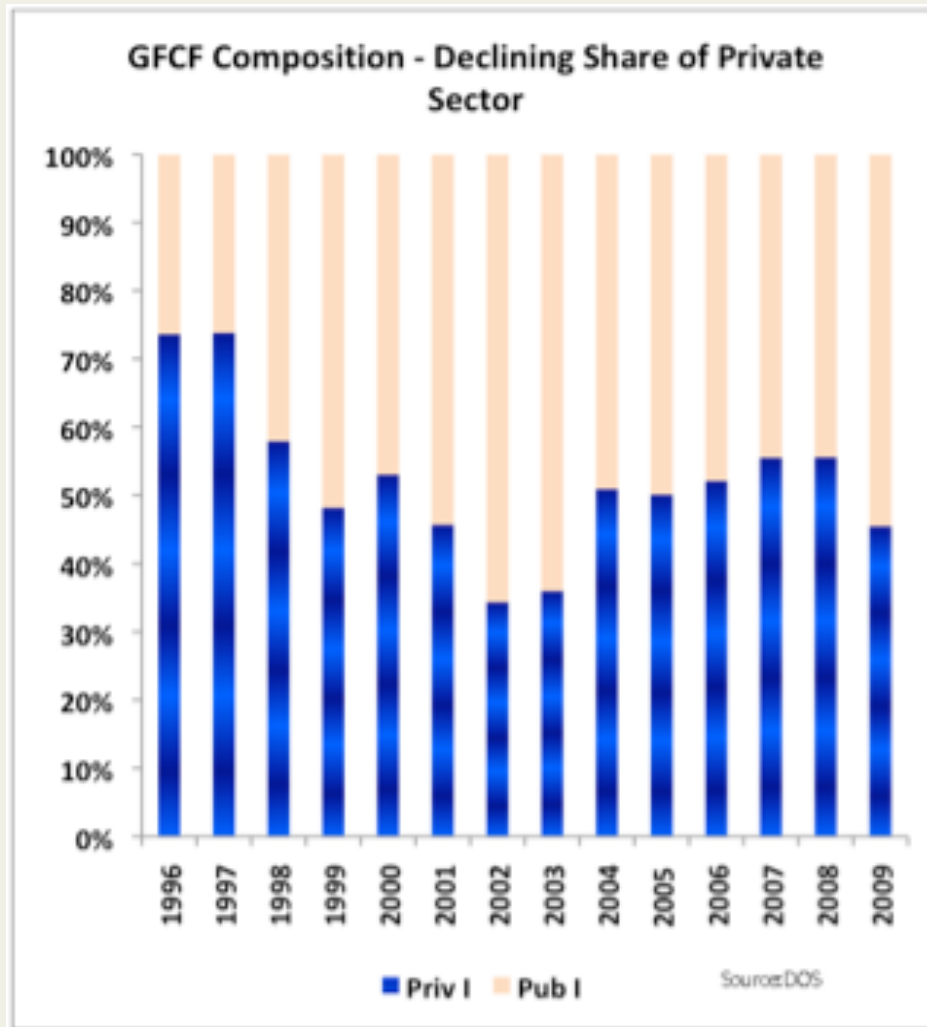
What should Malaysia do?

- ◆ **Malta is lowest ranked among the “Very High” category**
 - ◆ **To reach the level of a country like Malta, Malaysia should:**
 - ◆ **Work hard to improve its gross combined enrolment ration (Malaysia is ranked 102); education needs stronger, more effective policies**
 - ◆ **Devote more attention to improving access to health care; Malaysia’s ranking is 55 (Malta’s is 20)**

Role of Investment

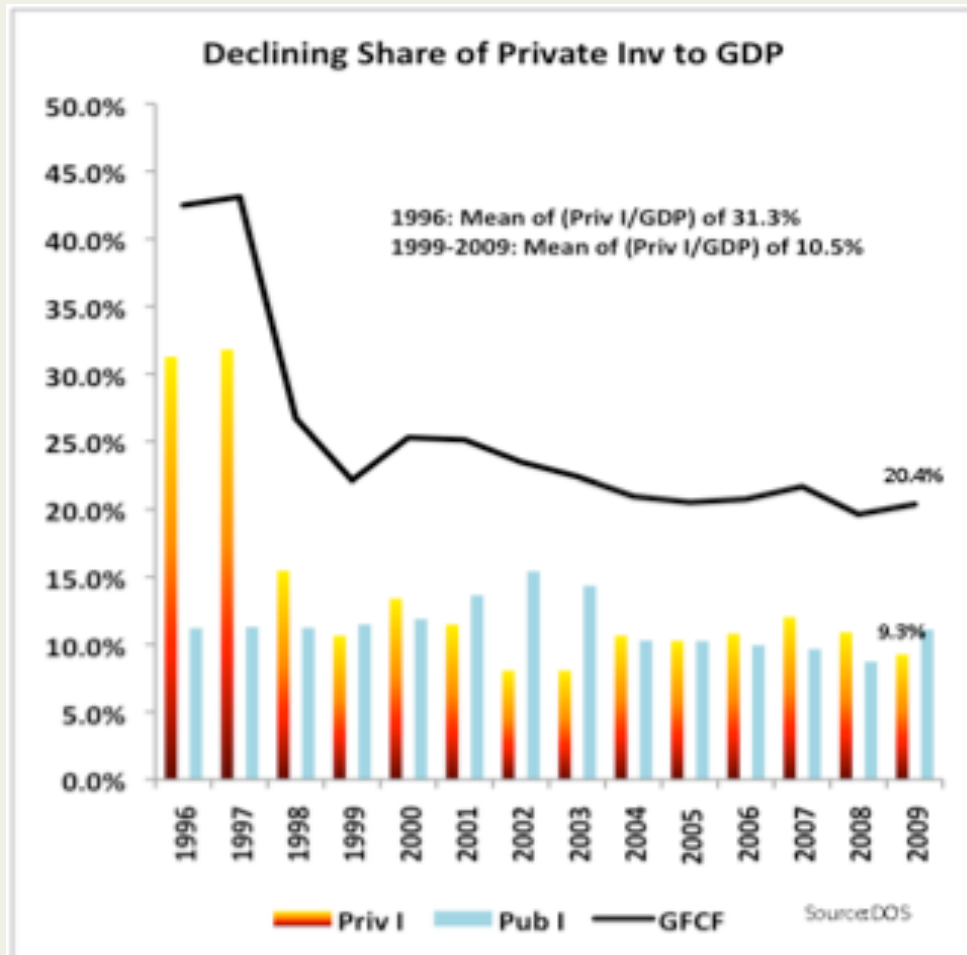
- ◆ **NEM stresses need for:**
 - ◆ **Private sector led growth**
 - ◆ **High income**
 - ◆ **Sustained economic growth**
- ◆ **The path to above goals achievable only through greater private sector participation**

Role of Investment



- ◆ In 1996, 70% of GFCF from private sector
- ◆ In 2009, private sector accounts only for about 45% of GFCF
- ◆ Given need for fiscal consolidation high GFCF from public sector not sustainable
- ◆ Not sustainable to maintain present fiscal conditions: public sector must take a back seat; tax base must be widened

Role of Investment



- ◆ In 1996, Private sector investment: GDP about 31%
- ◆ Between 1999-2009, mean private investment: GDP about 10%
- ◆ Urgent need to stimulate private investment and make Malaysia more business-friendly environment

Conclusion

- ◆ **NEM should not restrict focus to income growth; but should direct attention to quality of life**
- ◆ **NEM should stress performance in education and health**
- ◆ **High income achievable with moderate ease; requires only 6% GDP growth per annum**
- ◆ **NEM has re-defined affirmative action policy; greater social inclusiveness by targetting bottom 40% of population, without race bias**
- ◆ **Urgent need to address shortfall in investment**
- ◆ **Crucial to encourage and stimulate private sector**