

**Speech by:**  
**YB Dato' Sri Mustapa Mohamed**  
**Minister of International Trade and Industry (MITI)**

**Launching of Productivity Report 2016/2017**  
**Theme: "Challenging the Frontier, Empowering People"**  
**30 May 2016, 9.00 AM**  
**Dewan Perdana MITI, Menara MITI**

Bismillahir Rahmaanir Rahim,  
Assalamualaikum warahmatullahi wabarakatuh,  
Good morning.

YBhg. Tan Sri Azman Hashim,  
Chairman of Malaysia Productivity Corporation (MPC);

MPC Board of Directors and Consultative Panels;

YBhg Dato' Mohd Razali Hussain,  
Director-General of MPC.

Ladies & Gentlemen,

1. It is a delight for me to be officiating our latest Productivity Report 2016/2017. As we are living in the current time of intense global challenges, productivity is reckoned an economic game changer that would enable Malaysia to continuously progress towards the targeted goals to become a high-income nation. Productivity growth is essential to providing sustainable increases in living standards.
2. In our final lap towards the targeted status of a developed nation, productivity will be a key transformation enabler to achieve our three

important principles; namely, high income, sustainability and inclusiveness. High income is achievable through innovation, creativity, higher productivity, new technology as well as the development of multi-skilled and highly skilled workforce. Sustainability that is meeting present needs without compromising future generations requires environmental friendly projects, increased quality of life including high and sustained growth path. Inclusiveness that enables all communities to benefit from the wealth of the country is achievable through affirmative actions and narrowing the income inequalities.

Ladies & Gentlemen,

3. Productivity Report 2016/2017, with the theme "Challenging the Frontier, Empowering People" reinforces the Government's holistic and integrated approach in strengthening the nation's economic foundation. It is becoming increasingly essential to take productivity to a new frontier as growth merely through capital and labour is unsustainable.
4. The Government recognises the importance of productivity to economic growth. As stated in the 11<sup>th</sup> Malaysia Plan and Malaysia Productivity Blueprint, labour productivity is set to increase from RM77,100 in 2015 to RM92,300 by 2020 with the labour productivity growth at 3.7% per annum. This will be complemented by the contribution of multi-factor productivity to GDP growth targeted to increase by 40%. Hence, enhanced collaboration, cooperation and communication between the private and public sectors are critical to improve our productivity implementation, enforcement and outcomes.

Ladies & Gentlemen,

5. I wish to inform that Malaysia experienced a positive labour productivity growth of 3.5% from RM75,548 in 2015 to RM78,218 in 2016 but fell short of the 3.7% productivity growth per annum targeted for the 11<sup>th</sup> Malaysia Plan (2016-2020). This outcome is mainly due to financial market volatility and uncertain business confidence. However, it is encouraging to note that labour productivity growth has driven Malaysia's Gross Domestic Product (GDP) growth of 4.2% in 2016.
6. Two top sectors that contributed to the 2016 productivity growth were the manufacturing sector, with the productivity level of RM106,647 at 1.4% growth, and the services sector with the level of RM68,166 at 2.8% growth. The agriculture sector registered improved labour productivity growth of 3.4% at RM55,485, compared with -2.3% in 2015.
7. Among selected Asian countries, in terms of labour productivity per person employed in USD, Malaysia at USD21,564 is ahead of Thailand (USD10,398), China (USD14,030), Indonesia (USD7,507) and the Philippines (USD7,536). However, Malaysia's productivity growth is behind China's 6.6%, Indonesia's 4.6% and the Philippines' 4.4%, although it is important to note that Malaysia started from a relatively higher base.

8. Total Factor Productivity (TFP) grew at 1.9% for 2016 compared with the average 1% TFP growth over the period of 9MP and 10MP. This positive outcome was a result of efficient utilisation of resources in yielding products and services. However, this performance is still short of the targeted TFP annual growth of 2.3% for 11MP. Hence, I urge all parties to give your concerted efforts through collaboration and integration to implement our planned initiatives at national, sectoral and enterprise levels.

Ladies & Gentlemen,

9. This productivity performance report reiterates the five identified challenges that we as a nation should address. The five challenges are talent, technology, industry structure, business environment and productivity mind-set.
10. Over reliance on low skilled and foreign workers as well as unclear strategy to meet demands of the future economy have certainly slowed down Malaysia's productivity growth. Relatively limited investments in technologies and digitalisation, and its adoption across enterprises have also affected the ability of Malaysian businesses to transform. There are many SMEs with very limited ability to invest in productivity improvements.

Ladies & Gentlemen,

11. In view of the stated challenges, the Malaysia Productivity Blueprint has outlined five strategic thrusts for the concerted efforts of all relevant parties in Malaysia. The five strategic thrusts are:

- **Building workforce of the future** where both the private and public sectors need to restructure our workforce towards higher skilled workers, tighten entry of low-skilled workers and meeting demands of the future economy;
- **Driving digitalisation & innovation** – There is the need to strengthen the readiness of enterprises to effectively adopt and exploit technology and digital advantage to enhance productivity. By establishing the Digital Free Trade Zone (DFTZ), the Government is actively encouraging companies across main sectors to adopt the 4<sup>th</sup> Industry Revolution technologies. SMEs are also encouraged to pursue e-commerce and adopt innovative technology;
- **Making industry accountable for productivity** by intensifying liberalisation efforts, reduce reliance on non-critical subsidies, linking incentives to productivity outcomes and strengthening industry competitiveness;
- **Forging robust eco-system** - The Government through MPC's Modernising Business Regulation Programme and PEMUDAH, is addressing regulatory constraints as well as developing a robust

accountability system to ensure effective implementation of regulatory reviews; and

- **Securing a strong implementation mechanism** - MPC is spearheading the effort to embed the culture of productivity through nationwide movement and driving accountability in productivity performance through effective governance mechanism.

Ladies & Gentlemen,

12. Productivity must be addressed holistically. Hence, the Malaysia Productivity Blueprint has outlined a governance model with clear roles and responsibilities for both the public and private sectors to ensure cohesive effort, clear ownership and transparent outcomes from both parties. The outcome of the Blueprint will be a game changer for productivity improvements in Malaysia, shifting of mind-sets from 'Business-as-usual', enhancing competitiveness and productivity.

13. In closing, I would like to thank everyone for your presence here today as well as your support and commitment to our nation's productivity agenda. On this note, it gives me great pleasure to launch the Productivity Report 2016/2017.

Thank You.