

# KERATAN AKHBAR

TARIKH : 13 APRIL 2022  
AKHBAR : THE SUN  
MUKA SURAT : 13

## Economist: Shift to endemic phase to bolster Malaysia's recovery

### Economist: Shift to endemic phase to bolster Malaysia's recovery

**KUALA LUMPUR:** Malaysia's economy is expected to strengthen this year as the country transitions to the endemic phase in the Covid-19 situation, starting with the reopening of international borders.

Gross domestic product (GDP) growth for the year is projected to be around 6% (2021:3.1%), and first-quarter GDP is likely to grow 5-6% (2021:-0.5%).

Sunway University professor of economics Dr Yeah Kim Leng (*pix*) said the growth momentum will be supported by stronger private consumption and investments amid more positive sentiments and overall outlook.

"The resource-based and commodity sectors, particularly palm oil, rubber and oil and gas (O&G) are expected to thrive on the back of high prices," he told Bernama. The electrical and electronics



sector will continue to benefit from strong export demand as the global electronics supply remain constrained, while the services sector (including the import and export of services) is also expected to see stronger demand this year with the reopening of the economy.

The transition into the endemic phase will have a positive spillover effect on various industries, Yeah said.

"The aviation, hospitality and tourism-related industries are expected to emerge from their two-year doldrums and chart better performance as firms rebuild their balance sheets," he said, adding that it will also be a shot in the arm for the retail sector.

Additionally, the lifting of border restrictions will facilitate cross-border business activities, trade and investment-related services, as well as merger and acquisition activities.

Meanwhile, Yeah said although Malaysia is not directly impacted by the Russia-Ukraine conflict, the disruptions to global energy and commodity markets, coupled with higher risk aversion will have mixed short-term effects on the country's inflation, export earnings and financial markets.

He noted that the second-round negative effects on global growth will dampen the external outlook for Malaysia's highly open economy.

"Both commodity and financial markets will see increased volatility although the higher commodity prices - including O&G - will be positive for Malaysia's export earnings and further widen its current account surplus.

"While short-term foreign portfolio inflows may increase due to diversification of geopolitical risk in favour of the Malaysian markets, the market swings are likely to be elevated since geopolitical, growth and policy risks abound in the current environment," Yeah said.

Separately, on the currency front, Kenanga Research said the country's

strong economic outlook will help to boost the ringgit, which is projected to strengthen to 4.10 against the US dollar from 4.17 last year despite heightened uncertainty.

The research house said in a note recently that it is cautiously bullish on the local currency, but noted that the ringgit may continue to trade under pressure in the next few months due to the volatile market environment brought about by the Eastern Europe crisis, China's stringent pandemic-control measures and the US Federal Reserve's increasingly hawkish tone.

Kenanga Research said Bank Negara Malaysia might raise the overnight policy rate in the third quarter of 2022 after major economic indicators point to a sustainable recovery.

"The reopening of Malaysia's international borders on April 1, coupled with the central bank's continued accommodative policy stance, is seen to prop up economic growth in the second half of the year," it said.