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Malaysia's growing pains

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What the economy is telling us

MALAYSIA may just be heading for the raging 2020s, if the signals from our economy is anything to go by. Start with public debt. This is a good, bad and ugly story, the last being the doing of the Malaysia Development Bhd (IMDB) scandal. The last public disclosure of the searing debt caused to the nation by the scheming men and women behind IMDB was RMI trillion, an incomprehensible sum. How much has this been paid down isn't made known. Or are we just paying the interest? Anyone's guess. There are some people out there who add a mystique to the IMDB scandal by claiming that at most it's a riddle, wrapped around a mystery, inside an enigma. This is nothing but Churchillian nonsense.

Second is the decline in the value of the ringgit, especially against the US dollar. Yesterday, the ringgit was a weak 4.3910 against the US dollar. Earlier on Friday, the ringgit fell to 4.4000 against the US dollar. This isn't just a ringgit-greenback story. The ringgit appears to be weakening against other major currencies, too. Economists say currency depreciation is a supply and demand and more story. More ringgit is being sold than being bought. That is the brutal truth. Two readings are possible here, says Datuk Dr John Antony Xavier. One, foreign investors are offloading the ringgit to either invest in more lucrative markets or to chase rising interest rates in the US and Europe as central banks there hike them. Competitiveness of Malaysia, the second reading, is at play, too. If April data is anything to go by, we earned RM127.5 billion from exports and paid RM103 billion for imports in the same period. Competitiveness here means we have to work on increasing our exports and reducing imports.

The rise and rise of inflation, the third economic signal, is reaching a worrying level. Official numbers tell us our inflation is at three per cent when it should be two per cent, what most economists consider a healthy inflation rate. Not to mention Malaysia's food inflation of four per cent. Central banks the world over, including our own Bank Negara Malaysia, are trying their hand at taming inflation by raising interest rates. Is this the right cure? Central banks certainly think so. Economists Anis Chowdhury and Jomo Kwame Sundaram, writing in the Third World Network website, argue that central banks often worsen economic crises instead of resolving them. To them, it is a case of the saviours becoming the problem. Food for thought certainly in the context of Malaysia. Getting on the bandwagon is always a dangerous thing.

Labour crunch, the fourth signal, is now a multi-sector bane. Lately, the media has been reporting that Malaysian firms across sectors are turning down orders because of foreign labour shortage. A Reuters report yesterday must have sent a chill down the spine of our policymakers. Malaysia's oil palm industry, it warned, stands to lose three million tonnes of crop valued at RM17 billion to fruit rot as it hasn't got the labour to pick the fruit. Finally, food security has reached crisis proportions. Policymakers and economists know this. So do most Malaysians. What is not happening is public debate on how to see the nation through the raging 2020s. If we don't want to miss the wood for the trees that is.

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