KERATAN AKHBAR

TARIKH : 8 OKTOBER 2022

AKHBAR : THE STAR

MUKA SURAT : 2 (StarSpecial)

Positive GDP growth for 2023

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MALAYSIA'S economy is expected to grow by 4% to 5% in 2023 after posting a growth rate of between 6.5% and 7% this year.

"Despite a softening world economic growth and trade activities, the economy is projected to grow between 4% and 5% in 2023, supported by steady domestic demand, a vibrant services sector, implementation of new and ongoing high multiplier infrastructure projects and sustained exports.

"The government will continue to monitor global developments as well as implement appropriate policies and reform initiatives to strengthen the economy and fiscal position to withstand potential external shocks, improve people's livelihoods and enhance business resilience," said the Economic Outlook for 2023.

The global economy is projected to grow by 2.9% in 2023, albeit moderately due to slower-than-expected growth in both advanced economies as well as emerging markets and developing economies.

For Malaysia, the services sector is forecast to grow by 5% in 2023, benefitting from the sustained domestic demand in spite of moderate global economic growth.

Growth will continue to be mainly driven by wholesale and retail trade; real estate and business services; information and communication; transportation and storage; and food and beverages and accommodation subsectors.

The manufacturing sector is forecast to grow by 3.9%, supported by expansion in all subsectors. Output in export-oriented industries is anticipated to increase despite a softening global trade, with the electrical and electronic segment continuing to drive the industries.

In addition, the output of the rubber-based products segment is projected to rise, mainly attributed to the increase in production of tyres and tubes following buoyant global demand for motor vehicles.

For 2023, the agriculture sector is forecast to increase by 2.3%, attributed to an improvement in labour supply within the sector. The oil palm subsector is expected to expand on account of higher output following an increase in fresh fruit bunch production and a better oil extraction rate.

The price of palm oil is forecast to average at RM4,300 per tonne in 2023 compared with RM5,000 per tonne in 2022 and higher than the last 10-year average of RM2,685 per tonne, as supply of global edible oils and fats is anticipated to remain tight.

The mining sector is expected to expand by 1.1% on account of higher natural gas output as the completion of new pipeline projects in Sarawak, namely the Kasawari, Jerun and Timi, is anticipated to boost production, especially during the second half of the year.

Brent crude oil price is expected to record a lower average of US$90 (RM412) per barrel.

The construction sector is forecast to expand by 4.7% in 2023 following a better performance in all subsectors. The civil engineering subsector is anticipated to rebound, buoyed by implementation of new projects such as the Mass Rapid Transit Line 3 Circle Line and acceleration of ongoing infrastructure projects which include the Rapid Transit System (RTS) Link, East Coast Rail Link (ECRL) and Light Rail Transit Line 3 (LRT3).

In addition, the approved investment projects in the manufacturing sector are anticipated to come onstream and subsequently create greater demand for industrial buildings.

The economy is expected to remain resilient, with domestic demand continuing to drive growth amid a softening global environment. Private sector expenditure is forecast to grow at 5.8% with the share to gross domestic product (GDP) at 76.2%, while public sector expenditure is projected to expand by 2% with the share to GDP at 17%. Hence, domestic demand is envisaged to further expand by 5.1%.

Private consumption, which has been robust despite global uncertainties, is anticipated to grow by 6.3%. The growth forecast will be supported by continuous improvement in the labour market as well as robust economic and social activities particularly the tourism-related activities.

The special financial assistance in January 2023 to civil servants and pensioners will support household disposable income and stimulate private spending.

Private investment is projected to register a growth of 3.7% attributed to an increase in capital spending in technology-intensive manufacturing and services sectors, particularly ICT-related machinery and equipment.

The continuation of large-scale transport-related projects such as ECRL, LRT3 and RTS Link will also provide impetus to public investment. These initiatives are expected to help public investment increase by 2.1% in 2023. Public consumption is also projected to expand by 2% on account of higher spending on emoluments, mainly due to special additional annual salary increment for civil servants.

The share of CE (Employee Compensation) of GDP is projected to rise to 35.2% in 2023.

However, the share is still relatively lower than comparable peers and advanced economies. Thus, in ensuring a more equitable sharing of the growth benefit between employees and capital owners, there is a need for a paradigm shift from the low-wage labour market structure towards a more decent wage standard. Otherwise, insufficient wage increase from the current level may deter the attainment of the long-term CE target of 40% of GDP in 2025 under the 12th Malaysia Plan.

In line with strong economic growth expectation supported by continued efforts to prevent revenue leakages and strategies to implement a wider tax base, income from indirect tax and non-tax revenue on production and imports is projected to expand by 7.5%.

Meanwhile, with the expiration of the Covid-19 Fund assistance, subsidy expenditure is expected to decrease significantly by 50.2%.

Thus, income from taxes less subsidies on production and imports is expected to record a larger increase in 2023.

Gross exports are expected to moderate by 2.2% across all sectors, supported by modest external demand due to lacklustre growth following global uncertainties arising from prolonged geopolitical tensions, supply chain disruptions and volatility in global commodity prices.

Gross imports are expected to increase marginally by 0.2% on account of high demand for capital, intermediate and consumption goods indicating sustained domestic demand and improvement in investment activities.