

KERATAN AKHBAR

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Broad and diversified domestic economy a positive

ECONOMY

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PETALING JAYA: Malaysia's gross domestic product (GDP) growth rate is expected to remain respectable in 2023 but will be at a slower rate year-on-year (y-o-y) and supported by the country's broad and diversified domestic economy, says RAM Ratings Services Bhd.

RAM Ratings senior economist and head of economic research Woon Khai Jhek estimated GDP for the fourth quarter of this year to come in at around 5.1%, with full-year growth reaching 8.2%. He added private consumption will continue to be the main catalyst driving economic growth, going forward.

"Our projection for GDP in 2023 is between a 4% and 5% growth y-o-y as compared to 8.2% this year. We feel Malaysia cannot escape the ripple effects from the slower global economic growth, particularly the

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Woon Khai Jhek

slowdown in consumer electronic demands which will impact the semiconductor sector," he said in the RAM Insight Series titled "Economic Outlook 2023 - Choppy Waters Ahead?" webinar yesterday.

The country's GDP for the three quarters of this year grew 9.3% y-o-y underpinned by the reopening of the economy from the Covid-19 pandemic which saw a robust recovery in private sector activities.

"The reopening of the economy has actually allowed a steady and healthy recovery of the labour market.

"Labour force participation and employment conditions in general

have actually recovered to pre-pandemic levels. We continue to expect the unemployment rate to fall further to around 3.5% in 2023," Woon said.

He added that while it may be true that growth in 2022 is mainly due to a low base effect, data revealed there is underlying economic expansion present.

"Compared with the GDP numbers in 2019 during the same period, 2022's results are about 5.4% higher which is actually very close to the long-term steady growth rate of 5% to 5.2%.

"This indicates the economy has actually managed to generate a

healthy expansion in 2022," he said.

Economist Intelligence Corporate Network's director for South-East Asia, Sumana Rajarethnam, said the Russia-Ukraine war will last another five years and will hit global GDP growth and continue to keep commodity prices elevated.

"We estimate GDP growth on a global scale will decline to 1.5% next year.

"Historically, that number is around 2% to 2.5% growth. Prices of hard commodities like industrial raw materials will remain elevated going into 2023 and 2024.

"Prices for soft commodities like food, feedstuff and beverages will decrease by 20% to 25% going forward but still remain higher than pre-pandemic levels," he said in the webinar.

Sumana does not expect China's zero-Covid policy to ease until the middle of 2023.

He stated that despite challenging times, there are still bright spots and opportunities with the South-East Asian countries can benefit from.