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Positive growth

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While global economy remains unstable, Malaysia to see above 5% growth, say economists

PETALING JAYA: Economists have warned that the global economic outlook for this year would be quite unstable due to the ongoing Russia-Ukraine war and the resurgence of Covid-19 in China.

However, they predict Malaysia would still record economic growth nonetheless.

Universiti Utara Malaysia professor of economics Dr K. Kuperan Viswanathan said Malaysia managed about 7% economic growth last year, while predicting that the economic growth for this year would be well above 5%.

"The global outlook is rather unstable for this year, with the Russian-Ukraine war not seeing any end and the Covid-19 resurgence in China creating anxiety for the rest of the world.

"Since Malaysia has a more diverse economy that is not dependent on any one major sector, we stand a much better chance of coming out pretty well this year.

"The current political stability in Malaysia will also help to attract foreign direct investments this year," he told *theSun*.

Universiti Malaya professor of economics Datuk Dr Rajah Rasiah said disruptions have undermined supplies of oil and gas and food all over the world.

"While exports of electronics goods have expanded during the pandemic as firms began relocating production out of China to sustain exports to the US, especially since 2020, the crunch caused by disrupted supply chains has undermined supplies.

"Serious shortages of oil and gas and cooking oil such as rapeseed and sunflower seed oils, wheat and fertilisers have triggered a sharp rise in inflation in Europe and most of the world.

"Malaysia faced a lower impact only because we are a net oil and gas exporter. However, food inflation has risen almost twice as fast as the consumer price index since April last year."

Rajah said the rising US dollar, caused by increases in US Federal rates to contain inflation in that country, has caused a fall in exchange rates in most other currencies, with the impact of raising food import prices.

"Food exporting countries, including China, have imposed export controls to focus on food security.

"Malaysia is one of the countries that is facing such a problem.

"Unfortunately, we abandoned support for small-scale farmers in the 1980s and liberalised exchange rates in 1989-97. This combined to cause a chronic food trade deficit since 1989, which has remained negative until today."

Rajah added that a two-pronged policy is critical for Malaysia to survive the global economic downturn this year.

"Given the negative growth forecast for the world, including the possibility of stagflation occurring, the first strategy should focus on reducing dependency on food imports by transforming the country's food security policy.

"The emphasis must be on intensive, small-scale farming using digitalisation and digitisation, but through collective and cooperative use of technologies.

"The government should introduce Federal Agricultural Marketing Authority-type lock-ins to ensure stable prices for inputs and outputs."

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'Cap OPR and increase lending to small-scale farmers'

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"There should also be strong connectivity and coordination between farmers and wet markets. It is pertinent that the self-sufficiency rates in food production be raised to between 80% and 90% in the next three years.

"Currently, Malaysia imports 70% of the chillies consumed in the country. It is far worse for beef, lamb, ginger, onions, potatoes, garlic and pulses which are mainly imported," he told *theSun*.

Rajah said Malaysia should also focus on capping the overnight policy rates (OPR) and introducing a portfolio for banks to lend to small-scale farmers at lower interest rates.

This should be guaranteed by the Credit Guarantee Corporation.

"Given the massive food trade deficit Malaysia faces, large numbers of first-time farmers should be expected to apply for loans."

He said Malaysia should take advantage of the geopolitical developments in Asia, especially the US-China political and economic tensions, to stimulate technological upgrading from low to high value and launch additional activities in the electronics industry.

"Such a system in the country requires a serious review so that science parks, incubators, universities and government support agencies upgrade to stimulate catch-up in the industry," he said.