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Experts: Work hard now, economy downturn temporary

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PETALING JAYA: The economy is going to get better, but it won't be soon.

Until then, Malaysians will need to seek supplementary sources of income and improve their skills to cope with the rising cost of living.

As we hop into the Year of the Rabbit, economists say we need time to put more effort into weathering the temporary downturn.

This needs to be done until uncertainties over the global economy, especially on output growth, inflation and interest rates, ease, said Sunway University professor of economics Dr Yeah Kim Leng.

Other factors contributing to the uncertain outlook in 2023, he said, are the potential escalation of the Russian-Ukraine war and the widening of the rifts between China, and Taiwan and the United States respectively.

On the bright side, Prof Yeah said global inflation appears to have peaked, although the decline may be gradual as food and energy prices remain high due to insufficient production and supply disruptions.

"The end of China's zero Covid-19 policy is a hopeful sign that Malaysia



could still achieve decent growth this year and avoid being among the 'one-third of the global economy' expected by the International Monetary Fund to fall into a recession.

"Inflation is expected to ease this year. That will keep a lid on the rising cost of living. (This is despite) the anticipated shift to a targeted fuel subsidy scheme, which would keep inflation in the domestic economy at a high level," he said.

Prof Yeah said fuel prices should be gradually increased to avoid a resurgence of inflationary pressures.

Efforts to boost local food production and encourage domestic industries will spur growth, create jobs, and enhance economic security, he said.

With global inflation nearing its peak, Prof Yeah believes domestic inflationary pressures will ease, keeping the cost of living under control.

"Households grappling with rising living costs will need to find ways not only to spend within their

means, but also to seek additional income sources.

"The long-term economic outlook has improved with political stability and a focus on restoring economic dynamism. The economy is poised for stronger growth," he said.

Malaysia University of Science and Technology economics professor Dr. Geoffrey Williams also expects the economy to stabilise this year with lower inflation and normal growth rates.

He hopes interest rates would also stop rising.

"Inflation will slow, but prices will not fall; they will just rise more slowly. Although the economy will grow, this may not translate into higher incomes and wages. Millions will remain poor," he said, adding that economic reforms are needed in the soon-to-be-tabled Budget 2023.

Short-term handouts and parcels would not solve the problems, he said.

"There must be a structural reform to help people increase their income to a minimum threshold.

"There must be labour market reforms to help raise salaries and incomes from multiple sources, additional jobs and side incomes.

"The tax system for secondary incomes should be changed to help

people get more from multiple sources," he said.

Prof Williams urged those grappling with the rising cost of living not to lose heart.

"Look for second incomes and side hustles as far as possible. Take whatever opportunities that arise," he said.

Meanwhile, on the upcoming state elections this year, both Profs Yeah and Williams said they would not have any effect on living standards.

Prof Williams said elections are a "distraction from economic priorities" and these priorities may be "hijacked by political fighting".

Prof Yeah said that while state elections would boost local business spending, the increase is not expected to impact the overall economy significantly.

"Political risks could instead dampen business and investment activities. This is especially if there is a change of state government, which could hold up development projects," he said.



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