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Economic growth on the track

Economic growth on the right track

COMMENT by Dr Paul Anthony Mariadas and Dr Uma Murthy

THE Malaysian economy's expansion of 5.6% in the first quarter of 2023 is indeed positive news. Comparing it with the growth rates of other countries in the region such as Indonesia (5%), China (4.5%) and Vietnam (3.3%), Malaysia's growth rate appears to be higher.

This indicates that Malaysia's economy is performing relatively well compared with its regional counterparts during that period.

Furthermore, the strong growth performance in the first quarter (Q1) of 2023 is expected to contribute significantly to achieving the forecast for 2023, which ranges between 4% and 5%.

This suggests that Malaysia's economy is on track to meet or exceed the projected growth rate for the entire year, which is a positive indication of economic stability and progress.

Furthermore, the performance of Q1 2023 exceeds the 4.8% growth achieved in Q1 2022, marking an improvement in the economy over the same period.

Additionally, on a quarter-on-quarter seasonally adjusted basis, the economy grew by 0.9% in Q1 2023.

This is a significant improvement compared with the contraction of 1.7% that occurred in Q4 2022.

The growth rate indicates a rebound and recovery from the previous quarter's contraction, suggesting that the economy has regained strength and momentum.

Based on the positive indicators, it can be inferred that Malaysia's current economic performance and prospects suggest that the country is on the right track.

The broad-based growth across sectors, strong domestic demand, improved labour market conditions and relatively low inflation rate are positive signs for Malaysia's economy.

Malaysia's economic growth in the first quarter of 2023 was supported by growth across all sectors, with services and manufacturing leading the way.

The services sector grew by 7.3%, indicating a strong performance in industries such as finance, tourism, telecommunications and other service-oriented activities.

The manufacturing sector grew by 3.2%, reflecting expansion in manufacturing

activities and potentially including industries such as electronics, automotive and consumer goods.

Besides, the sustained domestic demand played a crucial role in driving economic growth.

This suggests that consumers and businesses in Malaysia were confident in the country's economic outlook, leading to increased spending and investment.

Strong private expenditure indicates higher consumer spending and business investment, which can contribute to economic expansion.

The labour market in Malaysia maintained its growth momentum and full employment level during Q1 2023.

The unemployment rate stood at 3.5%, slightly lower than the previous quarter's rate of 3.6%, indicating a relatively stable job market with low levels of unemployment, which is a positive indicator for the economy.

In addition, the inflation rate in Q1 2023 moderated to 3.6% compared with 3.9% in the previous quarter (Q4 2022), attributing to, among other factors, the government's implementation of price control measures and consumer subsidies.

These measures may have helped in controlling prices and reducing the overall inflationary pressures in the economy.

Moreover, Malaysia's domestic inflation rate of 3.4% in March 2023 is lower than that of some advanced and regional countries such as the UK (10.1%), the Philippines (7.6%), Singapore (5.5%), the US (5%) and Indonesia (5%).

This suggests that Malaysia's inflation rate is relatively more moderate compared with these countries, indicating a better inflationary environment.

To maintain and improve the growth rate, Malaysia could continue to work on diversifying its economy beyond its traditional sectors, such as manufacturing and commodities.

Encouraging the growth of new industries, promoting innovation and entrepreneurship, and investing in emerging sectors can enhance resilience and reduce dependency on a few sectors.

Besides that, investing in education and

skills development is crucial for creating a highly skilled workforce that can meet the demands of a rapidly changing economy.

Malaysia could focus on improving the quality of education at all levels, promoting vocational and technical training, and fostering lifelong learning opportunities - initiatives which can be done by focusing more on STEM.

Next, continued investment in infrastructure, including transport networks, utilities and digital infrastructure, can enhance connectivity and support economic growth.

Malaysia could prioritise infrastructure projects that improve connectivity within the country and enhance its position as a regional hub.

Additionally, embracing digital technologies and fostering digital innovation can drive economic growth and competitiveness.

Malaysia could focus on digital infrastructure development, promoting digital literacy, supporting digital entrepreneurship and enabling digital transformation across sectors.

Furthermore, Malaysia could prioritise sustainable development by addressing environmental challenges and promoting sustainable practices across sectors.

This can include promoting renewable energy, implementing green initiatives, and adopting sustainable practices in industries such as agriculture, manufacturing and tourism.

Lastly, ensuring good governance, transparency and a favourable business environment are crucial for attracting investments and fostering economic growth.

Malaysia could continue to enhance governance frameworks, strengthen the rule of law and promote transparency and accountability in public and private sectors.

By addressing these areas, Malaysia can enhance its resilience, competitiveness and long-term economic growth potential.

It is crucial for Malaysia's government, policymakers and relevant stakeholders to assess the specific needs and priorities of the country, develop comprehensive strategies and work towards implementing them effectively.

It is also equally important that we continue pursuing proactive measures, such as fostering innovation, investing in human capital, promoting sustainable practices and adapting to technological advancements, to ensure sustained economic growth in the face of evolving global dynamics.

Dr Paul Anthony Mariadas and Dr Uma Murthy are lecturers for the School of Accounting and Finance at Taylor's Business School, Faculty of Business and Law at Taylor's University. Comments: letters@thesundaily.com