

GST and cost hikes in 2015 to impact economy

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The goods and services tax (GST) to be implemented in April next year as well as other possible price hikes of commodities, will clearly impact the Malaysian economy, a chamber of commerce warned today.

The possibilities of fuel subsidy abolition and a further increase in electricity tariffs would also affect the country's economy next year, the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) said.

It even estimates that inflation may shoot up to more than four percent next year.

An ACCCIM survey report on the economic outlook for Malaysia in the first half of 2014 said that Malaysian businesses are more pessimistic about 2015 than they are about 2014.

Aside from the possible electricity tariff hike, Bank Negara also might raise the interest rates, ACCCIM's secretary-general Low Kian Chuan (left) told a press conference today.

"In 2015, the business community will face the effects of a series of policies...these are all increases in cost," Low said.

ACCCIM socio-economic research committee deputy chairperson Peck Boon Soon said that the inflation rate, currently at three percent, could rise by 1.5 to 1.8 percent next year with the hikes.

"According to the calculation by the government, GST will increase the inflation rate by 1.5 percent, plus with the fuel hikes... I estimate it will approach 1.8 percent overall.

"The inflation (next year), excluding GST and fuel hikes, will be about two percent, then you can consider that the inflation overall next year would be at least four percent," Peck elaborated further.

The ACCCIM survey covered 383 respondents, among them ACCCIM members at national and state levels, representing Malaysian Chinese companies, individuals and trade associations.

The survey also showed that more than 30 percent of the respondents cite some "major factors" to adversely impact their business in the first half of 2014.

These factors included government policies, domestic competition, increase in operating costs, higher prices of raw materials and manpower shortage.

"Some 44 percent of the respondents cited government policies to be the most important factor affecting the performance of their businesses during the period of survey.

"(This could be) after the implementation of the minimum wage policy in Malaysia, followed by the fuel price hike in 2013 and power tariff and gas price hikes in 2014," the survey report said.

It also said that despite government attempts to transform the Malaysian economy, "the effects and benefits do not appear to have filtered down meaningfully and significantly to the small and medium enterprises (SMEs)".

Business costs increasing

ACCCIM president Lim Kok Cheong said that apart from the commodity hike factors and wages, various fees levied by some government agencies, such as the increase in the work permit processing fee for foreign workers also shoots up business costs.

Other factors included the inspection charges import and export of fishery products, besides the permit required for exporting.

"Due to the escalating cost of doing business, the national economic growth is yet to penetrate into all industries, especially the SMEs," Lim (right) said in his speech.

On a same note, the survey also stated that, as shown by Tourism Malaysia, the number of tourist arrivals from China had decreased from 172,396 in January to 102,072 in May, owing to the missing Flight MH370 and Sabah kidnapping cases.

However, Lim said, "business is business" and the missing aircraft and kidnapping issues mainly affected the tourism industry and had little impact on the trade relationship between Malaysia and China.