

M'sia exposed to downside risks despite rebound in GDP- economist

Malaysiakini

20 May 2022

Bernama

Despite economic growth rebounding in the first quarter 2022, Malaysia is exposed to a number of downside risks in the near term, particularly with China being its largest export market, accounting for 15 percent of the total exports, S&P Global Market Intelligence highlighted.

It said the country's export sector is "vulnerable" to the impact of China's economic slowdown.

"Malaysia also faces some transmission effects from the Russia-Ukraine war. Although direct exports to Russia are very low, a more significant vulnerability is from the negative economic shock of the Russia-Ukraine war on the economies of Western Europe, since the European Union accounts for 8.4 percent of Malaysia's merchandise exports," S&P Global Asia-Pacific chief economist Rajiv Biswas said in a statement today.

“However, higher world oil and gas prices as a result of the Russia-Ukraine war are also boosting Malaysian energy exports and contributing to higher fiscal revenues. Malaysia is also benefiting from higher palm oil prices, due to disruptions to world edible oil markets, including Ukrainian exports of sunflower oil,” he said.

Rajiv noted that Malaysia is also benefiting from its large electrical and electronics (E&E) export industry, due to the very strong global demand for electronics equipment.

Digital transformation

The impact of the Covid-19 pandemic has accelerated the pace of digital transformation with the global shift to working remotely, boosting demand for electronic devices such as computers, printers and mobile phones, he said.

In addition, the easing of lockdowns in many countries has also triggered a rebound in consumer spending, helping to boost demand for a wide range of consumer electronics.

“The medium-term economic outlook is also supportive of Malaysia’s electronics industry. The outlook for electronics demand is underpinned by major

technological developments, including the 5G rollout over the next five years, which will drive demand for 5G mobile phones.

“Demand for industrial electronics is also expected to grow rapidly over the medium term, helped by Industry 4.0, as industrial automation and the Internet of Things boost rapid growth in demand for industrial electronics,” Rajiv said.

He said Malaysia’s competitiveness as a global electronics hub was highlighted by Intel’s decision to invest US\$7 billion in a new semiconductor packaging plant in Penang, which is estimated to be completed by 2024.

Easing of restrictions

The Malaysian economy continues to recover from the protracted impact of the Covid-19 pandemic, with gross domestic product in the first quarter of 2022 up 5.0 per cent year-on-year.

The easing of Covid-19 restrictions during early 2022 helped to underpin a recovery in private consumption, while strong external demand supported buoyant growth in exports.

Despite the upturn in world commodity prices due to the Russia-Ukraine war,

Malaysian CPI inflation pressures remain contained, with the March CPI reading up only 2.2 percent year-on-year, while core CPI inflation rose by 2.0 percent year-on-year.

- Bernama

Copyright © 1999-2012 Mkini Dotcom Sdn. Bhd

Source: <https://www.malaysiakini.com/news/621823>