

Economists: Malaysian growth could be hit by investment outflow
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KUALA LUMPUR, Oct 19 — The disparity between the flow of Malaysian investment out of the country and incoming foreign investment could affect its target to become a high-income nation by 2020, economists have told Singapore's Straits Times.

They said that while Malaysian companies had always invested overseas, the imbalance now presented a dilemma in light of the Najib administration's ambitions to grow the economy an average of 6 per cent a year to reach high-income status in eight years.

File photo of signs seen hanging on a new residential property development in London. Malaysians are expected to become for the first time the biggest investors in London property. — Reuters pic

The Straits Times report also noted that Malaysian investment abroad of RM19.5 billion in the first half of this year surpassed the RM13.6 billion worth of investment that the country received, and that outflows had exceeded inflows for the past five years.

"It is a concern," the Straits Times quoted Zakariah Abdul Rashid, executive director of the Malaysian Institute of Economic Research, as saying.

"The economy is now increasingly reliant on domestic investment and consumption to drive expansion, but Malaysian companies, even government-linked ones like Sime Darby and CIMB, are investing overseas."

Other reasons cited by economists interviewed by the Straits Times were that the Malaysian market was small, leading companies to look for growth outside the country. The government's selectiveness in approving investment also contributed to the shortfall.

Malaysians are also expected to become for the first time the biggest investors in London property, surpassing the Americans.

Malaysians bought £1.3 billion (RM6.36 billion) worth of London property in the seven months to July 24, more than British buyers, and beating the US into second place among overseas investors with £793 million, research by property consultant CBRE Group showed, according to a Reuters report.

Some observers say that the country is also suffering from a lack of confidence as wealthy individuals and companies with the means look to hedge their bets by investing their money overseas rather than in the country owing to concerns about corruption and political stability.

In December last year, US-based watchdog Global Financial Integrity reported that Malaysia had lost RM150 billion through capital flight in 2009 alone, the fourth-highest in the developing world.

The watchdog also found that Malaysia had lost US\$338 billion (RM1.08 trillion) over the first decade of the century while RM930 billion had left the country between 2000 and 2008, growing to RM218 billion a year from an initial RM71 billion in that period.

Malaysia's Economic Transformation Programme aims to lift the country's per capita income from US\$6,700 in 2009 to at least US\$15,000 in 2020 by growing the economy an average of 6 per cent during the period.

The plan calls for private-sector-led growth, with the government gradually playing a lesser, more catalytic, role.

Malaysia recorded a higher than expected growth of 5.4 per cent in the second quarter despite uncertain global economic conditions due to strong domestic demand and government spending.

Foreign direct investment fell from RM7.5 billion in the first quarter to RM6.1 billion in the second quarter while direct investment abroad by Malaysian companies also fell from RM16.9 billion to RM2.5 billion.

While observers have pointed out that economic growth has been strongly supported by government spending rather than private investment, government officials have noted that private investment has continued to grow robustly.

Deputy Minister in the Prime Minister's Department Datuk S.K. Devamany said in Parliament earlier this month that private-sector investments rose 22.4 per cent in the first half of the year.

The Ministry of International Trade and Industry has also said that Malaysia's realised private investments this year are expected to increase to RM110 billion from about RM94 billion in 2011.

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