

Flood, not Omicron, likely to derail economic recovery

THE massive floods that hit Peninsular Malaysia will have an impact on Malaysia's economic recovery despite the positive key economic indicators recorded in October.

Academy of Sciences Malaysia (ASM) Fellow Datuk Dr Madeline Berma said the floods have led to billions of ringgit being allocated to mitigate impact on livelihoods, damage of properties and loss of productivity.

"Studies have shown that flood risk is underestimated and increasing. The true cost of flooding is higher than we realise and it also deepens social and economic inequalities," she told The Malaysian Reserve (TMR).

Sharing the sentiment, Universiti Tun Abdul Razak (Unirazak) economist Prof Emeritus Dr Barjoyai Bardai said economic figures, especially on private consumption, will reverse in December as a result of the flood.

"Now the negative sentiment has come back. Depending on when this flood situation will be over, it looks like this may drag to at least until mid-January before the figure goes back to normal," he told TMR.

The **Department of Statistics Malaysia** recently stated that Malaysia's key economic indicators showed positive trends in October 2021 compared to the year prior.

Chief statistician Datuk Seri Dr Mohd Uzir Mahidin said on the external front, Malaysia's total trade rose 26.5% in October (September: 25.5%). Exports rose 25.5% to RM114.4 billion and imports grew 27.9% to RM88.2 billion, resulting in a trade surplus of 17.9%.

"In view of the industrial performance, the Industrial Production Index increased 5.5% as against October last year, driven by an increase of 8% in the manufacturing index and 4.1% in the electricity index.

"In line with the better performance indicated by the manufacturing index, Malaysia's manufacturing sales surged 15.3% in October 2021, mainly supported by petroleum, chemical, rubber, and plastic products," he said in a statement last Friday.

For the first nine month of the year, Mohd Uzir said Malaysia's economy picked up with a positive growth of 3% compared to -6.4% during the same period last year.

"Following this, an optimistic economic outlook is anticipated in 2022 with the Asian Development Bank projecting that Asian developing economies will expand by 5.4%," he said.

Wholesale and retail sales for October 2021 rose 5.4% year-on-year (YoY), the first increase registered since the implementation of the Full Movement Control Order (FMCO) in June 2021.

The performance was fuelled by the wholesale trade subsector, which continued to record a positive growth of 4.4% or equivalent to RM2.4 billion in October 2021 to attain RM55.8 billion.

Additionally, retail trade increased 5.1%, while motor vehicles rebounded 10.2% following double-digit negative growths since FMCO.

He added that Malaysia's economy is projected to improve in the near future, owing to the global economy's recovery trajectory, in line with the annual performance of Leading Index (LI) which increased 0.3% in October 2021.

"Simultaneously, the favourable LI's performance indicates a more optimistic prospect for the upcoming months if the gradual normalisation of economic activity continues in tandem with the easing of interstate travel," added Mohd Uzir.

Barjoyai opined that the manufacturing industry will continue to become the main contributor to economic recovery, but he is also hopeful that the services and private consumption will be additional contributing factors.

"In October, private consumption went up and it is a good indicator that shows that the economy is recovering because all this while we have been focusing on public spending.

"Prices of goods, especially basic goods have gone up and that is rather healthy because we need inflation in the process of turning around the economy and we have that," he added.

Meanwhile, on the rising number of Omicron variant cases, Berma said it will affect Malaysia's economy and slow its recovery, but it will not derail the economy.

"It will impact GDP growth, labour market and inflation. Covid-19 has provided Malaysia with some valuable experiences," she added.

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