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Economic recovery in sight

PETALING JAYA: There is hope for the economy to start on the path to recovery as early as next year, but it may take up to two years to put it back on a strong footing.

However, the right conditions must be in place, chief among which is strict adherence to standard operating procedures (SOP) to curb the spread of Covid-19, according to two economists theSun spoke to.

Universiti Malaya Economics professor Datuk Dr Rajah Rasiah, the more optimistic of the two, said the nation should be able to see some positive signs as early as next year.

However, he added that the economy might still not be completely out of the woods yet by then.

His counterpart at Universiti Utara Malaysia, Dr K. Kuperan Viswanathan, had a more cautious assessment.

“It could take at least two years before economic growth returns to pre-Covid levels. Certainly not next year,” he said.

Kuperan pointed out that although many economic sectors have resumed operations, it would take them some time to adjust to the new conditions.

“This is especially so for the tourism and services sector.”

Strict conditions have been imposed for sectors that have been allowed to resume operations. For instance, dine-in is now allowed at eateries, but only customers who are fully vaccinated will be admitted. Even then, social distancing and other SOP are strictly observed.

He estimated that the Malaysian economy has lost about RM500 billion since the first movement control order (MCO) was imposed on March 18 last year.

Before his resignation as prime minister last month, Tan Sri Muhyiddin Yassin announced that 11 economic activities would be allowed to resume under phase one of the National Recovery Plan from Aug 16.

These included car wash services, electrical and electronics retail outlets as well as clothing and fashion stores and hairstyling salons.

According to Muhyiddin, the initiative was necessary to help the country recover from the economic fallout caused by the pandemic.

On Feb 11, the Statistics Department released data showing that the gross domestic product (GDP) had contracted by 5.6% last year, its worst since the Asian financial crisis of 1998.

Kuperan said higher consumption should also be encouraged to recharge the domestic economy.

"Companies should undertake large-scale sales and promotional campaigns. Efforts must be made to look for new markets for our exports, and domestic investments in manufacturing and services should be promoted by offering more incentives such as better government support, reduction in red tape and encouraging training opportunities," he said.

Rajah noted that the economy had begun to slow down even before Covid-19, and even if it starts to pick up now, the desired growth rate may be difficult to achieve.

"A lot of the damage has come from exogenous effects caused by the pandemic. Some aspects of the MCO were inevitable and necessary to contain the spread of the virus.

"However, I strongly feel that the government could have handled it better to reduce losses, (especially for those in the B40 and M40 categories)," he said.

He added that the government had done well in some areas, citing the acceleration of the vaccination drive, overseen at the time by current Health Minister Khairy Jamaluddin.

Khairy, who was then science, technology and innovation minister, was also the minister in charge of the vaccination campaign.

Rajah said major changes would be needed to ensure economic growth.

"We should upgrade our technological capabilities so it will serve as the engine that will drive the country to developed status."

He said there has yet to be a clear roadmap outlining the targets by phases, nor the supporting ecosystem, reviews, recalibration points and appraisals to determine the country's progress towards that goal.

Rajah added that the government should also focus on sustainability issues to ensure that development would be more balanced.

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