



Deal with lockdowns first, FDIs will follow, says economist

PETALING JAYA: While Prime Minister Ismail Sabri Yaakob is aiming to make Malaysia the “premier” destination for foreign direct investment (FDI) in the region, an economist has pointed out that the country will first have to move past its numerous lockdowns.

Malaysian Rating Corporation Bhd (MARC) chief economist Firdaos Rosli said that in the immediate term, the government must address lockdowns and steer clear from using them as the sole non-pharmaceutical intervention in combating an outbreak.

“As the economy resumes, so will investor confidence. The prime minister can address FDI once lockdowns are behind us,” he told FMT.

Malaysia has been in varying stages of lockdowns since last March, with schools, interstate travel and social gatherings put on hold for most of this year.

However, there have been several measures to slowly reopen the economy, especially for fully vaccinated individuals.

Except for Labuan, which moves into Phase 4 of the national recovery plan tomorrow, all the other states and federal territories are either in Phase 1, 2 or 3.

In his first address as prime minister on Sunday, Ismail said the government will continue working with the people to develop new economic strategies and improve existing ones.

“This is to further strengthen our economic fundamentals and put Malaysia once again as the premier investment destination in Southeast Asia,” he said.

In June, chief statistician Mohd Uzir Mahidin said FDI inflow in Malaysia showed a marked recovery in the first quarter of the year after registering RM9.1 billion (US\$2.2 billion), the highest since the pandemic hit Malaysia.

He noted that the improvement was due to higher inflow in equity and investment fund shares in the manufacturing and services sectors.

While Uzir said the country recorded a 54.8% drop in FDI to RM14.6 billion (US\$3.5 billion) last year, the United Nations Conference on Trade and Development (UNCTAD) reported in January that FDI into Malaysia declined by 68% to RM10.5 billion (US\$2.5 billion) in 2020, the sharpest drop among Asean countries.

Shankaran Nambiar, a senior research fellow at the Malaysian Institute of Economic Research, said Ismail’s plan to make Malaysia a top investment destination was “very encouraging”. He said the country had “all the ingredients” required to achieve this target.

“It merely has to put the pieces together. We have a pool of talent that is waiting to be nurtured, abundant resources and accommodative investment policies.

“The international trade and industry ministry (Miti) and the Malaysian Investment Development Authority (Mida) have a glowing track record in putting in place the right packages and in engaging with world-class companies,” he said.

Yeah Kim Leng, a professor of economics at Sunway University, said political stability was needed besides the framework the country already had in place to attract investors.

Describing it as an “overriding consideration” of both foreign and domestic investors, Yeah said they looked for destinations that had low political risk to safeguard their long-term investments.

“Besides political stability, investors put a high premium on a stable, predictable and conducive policy environment,” he said.

“They abhor policy uncertainties, inconsistencies and shocks, especially in rules and regulations that affect their operations.”

He said the new administration would also have to boost the investment climate by providing complementary infrastructure, skilled human capital and efficient supporting services, including government services.

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