



Measuring Malaysia's GDP in US dollars not relevant, inappropriate: Johari

Posted on 24 August 2017 - 11:22pm

PETALING JAYA: Measuring Malaysia's gross domestic product (GDP) in US dollars is not relevant nor appropriate and could undermine the country's sovereignty, said Finance Minister II Datuk Seri Johari Abdul Ghani.

Johari, who was responding to a statement made by Federation of Malaysian Manufacturers (FMM), said FMM's proposal to measure the GDP in US dollars could cause confusion, is misleading and reflects poor understanding of how the economy works.

On Wednesday, FMM president Tan Sri Lim Wee Chai said the country's current GDP would have contracted if it was calculated on that basis due to the fall in the ringgit's value and proposed that the GDP be measured in US dollars for a better reflection of the country's economic growth.

"Economic activity in Malaysia is measured primarily through activities transacted by households, businesses and governments in ringgit. Hence, measurement in ringgit terms is more reflective of our economy," Johari said in a statement yesterday.

He said Malaysia's GDP is reported in constant prices, which already takes into account the effects of price changes and exchange rate movements.

The GDP reflects only the changes in the quantity of goods and services produced in the country, adding that the compilation of GDP is consistent with international standards as stipulated by the World Bank and the International Monetary Fund, and the Department of Statistics' surveys and compilations are wide ranging and inclusive of all sectors of the economy.

"In view of this internationally accepted standard, I wish to point out that GDP measured in US dollars is not relevant for a matured and sophisticated economy like Malaysia, nor is the GDP measured in US dollars appropriate for an economy that is not dollarised in any sense. In any economy that is 'dollarised', there would be a loss of policy independence and flexibility, hence undermining a nation's sovereignty," he said.

Malaysia recorded year-on-year growth of 5.8% in the second quarter of 2017 and 5.6% in the previous quarter.