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Ringgit Down, Prices Up

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Consumers urged to 'buy local' as lowest US dollar exchange rate in 24 years set to trigger hike in cost of goods

PETALING JAYA: The ringgit's downtrend against the US dollar, which hit a new 24-year low of RM4.61 yesterday, is set to see prices of imported good rise significantly. To help ease the situation, an economist has called on consumers to buy locally-made alternatives.

Sunway University economics professor Dr Yeah Kim Leng said export businesses will benefit from the lower ringgit value as they would be more competitive and have higher earnings, but those who import raw materials to manufacture products for local consumption will suffer.

He said with the higher cost of imported raw materials, businesses will likely pass on some, if not all, increased costs to the consumer.

"The government needs to look at how the high cost has affected businesses in the country and if necessary, be ready to help them. This will indirectly benefit consumers too.

"How expensive goods will become in the future will depend on how high the import content is in a product."

Yeah added that a lot of basic items such as cereals, cheese and beverages are being imported into the country and the price of such items will increase.

He cited the example of car tyres, which will see an upward revision in prices, making them more expensive and the higher cost will be passed on to the end user.

He said to deal with the significant price hikes of imported items, consumers could substitute such products with locally produced ones, adding that this would depend on what locally-made products are available.

"One option is to encourage local production. But the effects will not be seen overnight and will take two to three years before any impact can be felt. Also, this must be a long-term plan to make the country more self-sufficient."

Yeah also said as the prices of goods continue rising, consumers must consider cheaper alternatives, adding that those on a set budget consider buying cheaper products.

The Statistics Department said the country's dependence on food imports has risen significantly over the years. The food import bill was RM63 billion last year, up from RM55.4 billion in 2020 and RM51.4 billion in 2019.

Malaysia is also highly dependent on imports of mutton (RM879.4 million), mangoes (RM87.9 million), coconut (RM266.1 million) and beef (RM2.2 billion) to meet domestic demand.

In 2020, eight imported items exceeded 50% of domestic consumption. They were cuttlefish (2020: 52.2%, 2019: 37.4%), fresh milk (2020: 53.5%, 2019: 43.9%), round cabbage (2020: 63.6%, 2019: 60.9%), chillies (2020: 72.4%, 2019: 73.6%), beef (2020: 78.1%, 2019: 77.1%), ginger (2020: 81.5%, 2019: 84.3%), mangoes (2020: 86.2%, 2019: 73.5%) and mutton (2020: 90.4%, 2019: 88.2%).

The Import Dependency Ratio values of these products reaffirmed that Malaysia is highly dependent on imports of mutton, mangoes and beef to meet domestic demand.

In meeting consumer needs, other food products that were imported included onions, dairy products, coffee, wheat flour, tea, shallots, potatoes and cooking oil.

The Malaysia External Trade Development Corporation said from January to August, national imports stood at RM858.83 billion, with processed foods making up RM19.41 billion (2.3%).

For the same period last year, imports stood at RM628.46 billion while processed food imports accounted for RM15.77 billion (2.5%).

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