

The Anatomy Analysis Of Malaysia's Economy

Department of Statistics Malaysia (DOSM) published the 2019 and 2020 Input-Output Tables on 29th Aug-22. These tables provide wide-ranging data regarding the flow of goods and services in the economy. These tables portray the economic performance, the relationship between producers and consumers, and the interdependence between sectors. These tables provide the latest anatomy of Malaysia's economy, especially capturing key important events domestically and globally during 2015~2020. The US-induced global trade war, President Trump's America First foreign policies, Brexit, plateaued commodity prices, Malaysia's GE14, and Covid19 pandemic occurred during these years.

Looking ahead, Malaysia's economy is certainly moving in the higher value-added direction. Despite the global trade war and Covid-19 pandemic, the economy remained on the right track as reflected in the value-added multipliers. The manufacturing and Services sectors registered higher value-added multipliers in 2020 as compared to five years earlier. According to the latest InputOutput tables, these two sectors relied on lesser imported input which among others contributed to higher economic impact domestically. This is also seen in the Construction sector which is reflected in the increasing backward linkages, 1.24 in 2020 (2015: 1.22). Looking ahead, MIDF believes the value-added multipliers in Construction, Manufacturing, and Services sectors to stay on an uptrend in post-2020 as the government promotes and encourages domestic input usage in the global value chain and reduce dependency on imported input as mentioned in the 12th Malaysia Plan among others.

For instance, the Government aims to strengthen national food security by increasing local food production and gradually reduce on imported food products. Bright prospects for primary sectors. From 2015-2020, plateaued commodity prices have been the main dragging factor for Agriculture and Mining sectors. Value-added multipliers and forward linkages for these sectors were in declining trends since 2015. MIDF believes commodity prices to hover at a higher range in the next half a decade amid geopolitical conflicts in EU & Middle East, supply disruption risks, and a better global demand outlook. If Brent crude oil and CPO prices were to stay above USD70pbd and RM2,500 per tonne steadily, the research house opines this will support primary output activities in the long run.

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