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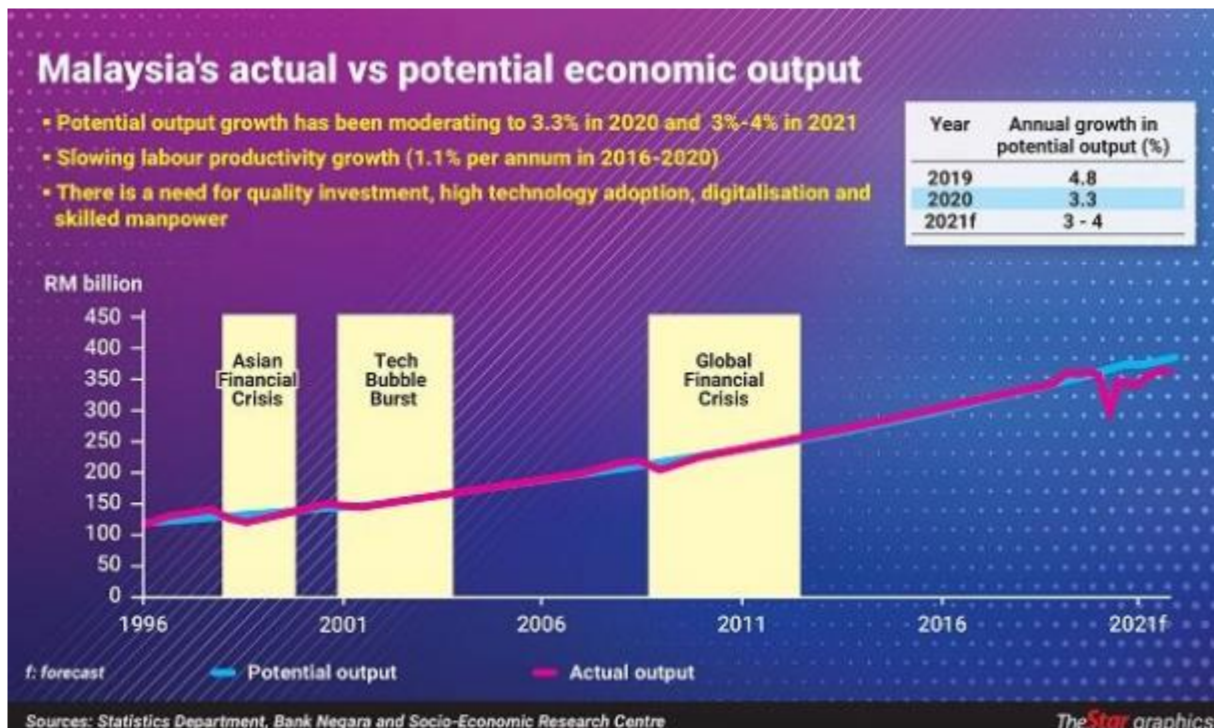
In need of more high-skilled jobs

By GANESHWARAN KANA

PETALING JAYA: Malaysia needs to create more high-skilled jobs if it wants to stop the country's potential economic growth from slowing down further.

At the moment, Malaysia has a "very low" share of high-skilled jobs compared to Singapore and other advanced economies, according to Socio-Economic Research Centre (SERC) executive director Lee Heng Guie.



"Based on the numbers I tabulated, the share of high-skilled jobs for Malaysia is only 24.7% while 62% are semi-skilled and 13.1% are low skilled. This is as of the second quarter of 2021.

"If you compare that to other countries, their high-skilled job percentages over the total labour force are much higher, close to 60%.

“In the case of Singapore, the share is about 54.7%, Switzerland 51.3% and the United States 42.2%. That’s a long way to go for us to increase the percentage of skilled workforce,” he said during SERC’s quarterly economy tracker media briefing yesterday.

Lee warned that Malaysia’s potential economic output growth has hit a speed bump, with the rate moderating to 3.3% in 2020.

In comparison, the average potential output growth rate between 2011 and 2019 was 4.9%.

Potential output is the maximum amount of goods and services an economy can turn out when it is most efficient – that is, at full capacity.

Apart from the lack of skilled jobs domestically, Lee said Malaysia’s potential output growth has been moderating due to the slowing labour productivity growth.

He pointed out that labour productivity in Malaysia has only grown by 1.1% between 2016 and 2020, as a result of lower utilisation of productive capital stock and ineffective mobilisation of resources.

“We still need high-quality investments in technology-intensive industries to increase our productive capital stock, and at the same time, we need to encourage more companies to adopt technology and digitalisation, especially among the small and medium enterprises,” Lee said.

On the economic performance for 2022, Lee expects a stronger growth for Malaysia compared to last year, although his projection is below the government’s official guidance.

Lee forecast the country’s gross domestic product (GDP) to grow by 5.2% in 2022, from a projected 3.4% in 2021.

The Finance Ministry, on the other hand, forecast a growth of 5.5% to 6.5% this year.

Lee said that Malaysia’s recovery path is contingent on sustained revival in domestic demand, uninterrupted transition towards reopening, no major drag from exports and timely implementation of fiscal measures.

“Turning to the latest tracker on Google Mobility, since the economic reopening, the general sentiment and confidence of businesses and consumers have improved and turned more positive.

“From the tracker, we noticed that people’s mobility and traffic indicators show signs of revival,” he added.

Commenting on the tourism and hospitality sectors, Lee said the reopening of international borders is an important catalyst.

“Based on my channel checks, the latest hotel occupancy rate is about 40% to 50%.

“From my conversation with the industry players, they need the return of international travellers to help boost the hotel occupancy rate,” he said.

Looking ahead, Lee highlighted that the Malaysian economy faces five major risks in 2022 – the Covid-19 contortions, the US Federal Reserve policy headwinds, China’s economic slowdown, price pressure and the winding down of domestic relief measures and policy changes headwinds.

Specifically on China, he said the country’s economy is resuming a long-term deceleration, amid its struggle with real estate woes and fallout from sporadic Covid-19 lockdowns.

China will grow nearer its longer-run trend of 5% in 2022, normalising from its high 2021 growth, but also dampened by restructuring within the property sector and supervisory tightening.

Lee cautioned that China’s economic slowdown would also adversely affect Malaysia, given the fact that China is the largest export market for Malaysia.

“For every 1% decline in China’s GDP, it could shave Malaysia’s growth by 0.3 to 0.5 percentage points,” he noted.

Lee said that in order to mitigate the external-driven shocks on the economy, Malaysia needs to sustain the revival of the domestic demand, mainly in private consumption and public investment.

“That’s the only way for us to mitigate the risk,” he added.

Meanwhile, Lee believes that Bank Negara will tighten its monetary policy this year by raising the overnight policy rate (OPR) by 25 to 50 basis points to 2% to 2.25% in the second half of 2022.

In justifying his expectation, Lee said a prolonged period of low interest rates could induce financial imbalances by reducing risk aversion of banks and other investors.

A higher OPR is also needed to tame the rising inflationary pressures.

SERC estimates the country’s headline inflation to increase further by 3% in 2022, compared to an estimated 2.5% last year.

Lee noted that costs and price pressures are forcing on consumers and businesses.

“The latest survey by the Associated Chinese Chambers of Commerce and Industry of Malaysia among its business community indicated persistent price increases in domestic and imported raw materials

“Producer price indices are trending high, suggesting the start of a period of sustained high prices. Sustained high costs will inevitably be passed on to consumers,” he said.