Economic and Financial Crisis: Impact on Malaysia’s Macroeconomic Performance

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Malaysia’s Target Path to High Income Economy

Real GDP by 2020 based on constant 2000 prices

Target Scenario 5.4% p.a. (2011-2020)

Minimum Level: 5.0% p.a. (2011-2020)

RM869bn. in constant 2000 prices

RM840bn. in constant 2000 prices

Note: 1 GNP per capita: US$14,818

Malaysia 5.4% p.a. (1990-2010)

Minimum Level: 5.0% p.a. (2011-2020)

Min HI & EPU vs NEAC
The period 1991-2010, real GDP is expected to reach RM514 billion (constant 2000 prices) in 2010, instead of RM694 billion if we are on the Vision 2020 path.

Hence, for the next 10 years, there is a need to bring the economy back on the right track to achieve the minimum level of per capita income of high income country, i.e. USD14,818 by 2020. Therefore, to reach this target, the economy needs to grow by at least 5.4% p.a. for the period of 2011-2020, which is in line with potential output.

Out of 5.4% p.a. GDP growth, TFP contributes about 45.8%, capital 32.7% & labour 21.5%.
Real GDP (constant 2000 prices)

Vision 2020 Path

Actual, 1991-2008

Shortfall: 26% (RM180bn.)

RM514bn. in 2010

RM694bn. in 2010
With regards to the progress towards achieving a high income economy by 2020, for the period 1991-2010, real GDP is expected to reach RM514 billion (constant 2000 prices) in 2010, instead of RM694 billion if we are on the Vision 2020 path.

This means that we have fallen short of the Vision 2020 path by 26% by the year 2010. It also means that the GNI per capita would have a shortfall of 41% compared to the Vision 2020 target.
Macroeconomic Performance of 9th Dev Plan
Shortfall of 55% from GDP target...

- Shortfall due to deterioration in the external sector (global economic crisis) & weaker domestic demand.

- GNI per capita estimated at RM24,938 but still 16% lower than MTR target of RM29,711 by 2010.

GNI: Gross National Income
GDP: Gross Domestic Product
During the RMKe-9, the actual growth for the first 3 yrs, i.e. 2006-2008 was 5.6%, slightly lower than target of 6%

For 2009-2010, growth is expected to be only at -1.4% (subject to new estimates for 2009-2010 by MOF). This will result in an average growth of 2.7% for the whole RMKe-9 period. This means a shortfall of 55% compared to target.

Expected deterioration in the external sector (global economic slowdown) particularly in 2009 & 2010:

- **World GDP**: (2009: -1.4%); (2010: 2.5%)
- **World trade volume (goods and services)**:
  - (2009: -12.2%); (2010: 1.0%)
- **Imports**
  - Advanced economies: (2009: -13.6%); (2010: 0.6%)
  - Emerging and developing economies: (2009: -9.6%); (2010: 0.8%)
- **Exports**
  - Advanced economies: (2009: -15.0%); (2010: 1.3%)
  - Emerging and developing economies: (2009: -6.5%); (2010: 1.4%)
On all sectors of the economy, including higher education

- Research Universities programme towards World Research University objectives
- Accelerated Programme for Excellence (APEX)
- Brain 15
- 100,000 PhDs
- 60% PhDs in universities
The Outlook

- Continuation of existing programme
- New programmes put on hold
- Focus on renovation and not new buildings
 Universities: What to Expect

- Reduction of allocation for higher education (management and operation) for 2010 (highly likely) and probably under 10th development Plan, 2011-2015.

- Realignment of budget and expenditures for management, development and research.
At University Level: Reactions

- Reduce
  - management expenditure (except wages and salary)
  - Number of contract staff (professors on “contract for service”)
  - Waste
  - Utility bills
Reduce or maintain enrolment figures at the undergraduate level

Increase income generating activities

- University holdings/private wings (hospital and medical services)
- Strategic Business Unit (consultancies and contract research)
- Endowment Fund (alumni)
Thank You