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Reinventing the economy, strengthening education key pillars to ensuring a stronger ringgit for the future

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Not since the 1998 Asian financial crisis had the ringgit slipped so low, leading many to sigh as they watched their savings dip in value and as things became slightly more expensive to purchase overnight.

However, it is not all doom and gloom. It is vital to understand the technicalities behind why the ringgit took a beating.

First the possible reasons behind the slide, and there are mainly three.

When the United States Federal Reserve started raising interest rates, the Singapore dollar followed suit, leading to a narrower differential between the US and Singapore interest rates compared with Malaysia. This makes Singapore a more attractive destination for capital compared to Malaysia.

The Singapore dollar also plays a bigger role at the regional level as a reserve of value compared to other currencies and there is a higher demand for the currency as uncertainty favours currencies which are recognised as reserves of value.

On the local front, Malaysia's unclear policy direction is also a factor which causes the sentiment fluctuation as Malaysia is still a laggard when it comes to policy shifts to bring about economic growth.

Reinventing the economy

Currently, the Malaysian economy is witnessing some benefits from a lower valued ringgit such as increased exports and a surge in tourism. For instance, during the Good Friday weekend alone, 510,000 Singaporeans visited Malaysia, leading to a boost in spending.

Additionally, Malaysians working in Singapore benefit from the favourable exchange rate when spending in Malaysia.

However, for long-term sustainability, there is a need to create better job opportunities across both the east and west coasts of Malaysia. This involves transitioning from a focus on manufacturing to high-value services to complement export industries.

Recent data demonstrates positive growth in Malaysia's external trade, with a 3.9 per cent increase to RM233.74 billion, primarily due to manufactured goods such as iron and steel products, machinery and petroleum products.

Notably, exports of machinery, equipment, palm oil, and iron and steel products have seen a rise. Imports from Asean increased 6.7 per cent to RM23.96 billion.

While this growth indicates a positive upward trajectory, the future prosperity of Malaysia's economy is wedged on expanding exports beyond traditional goods to include higher-value products and services. This shift is crucial in sustaining economic growth and competitiveness in the global arena.

Strengthening education, creating high value jobs

Malaysia's average monthly salary stands at RM6,510, according to IQI's study, translating to RM137,118 annually.

High-value jobs in sectors like banking, technology, and healthcare offer lucrative salaries, emphasising the importance of leadership and specialised skills in the job market. However, there is a brain drain concern, not solely attributed to currency performance but also due to limited opportunities locally.

Enhancing the quality of education is vital to prepare Malaysians for future job demands and mitigate brain drain. Structural barriers like gender discrimination, socioeconomic disparities, and regional inequalities must be addressed to ensure equal access to high-paying jobs.

Policies promoting diversity, inclusion, and equal opportunity are essential in fostering a more equitable society.

Social media now plays a crucial role in democratising access to knowledge, bridging the gaps by providing extensive educational resources and learning opportunities, bridging the gap in educational access and empowering individuals to pursue high-value careers.

The argument for a common currency in Asean

There is a need to break down barriers and enhance integration within the region. Initiatives like the high-speed rail between Singapore and Kuala Lumpur demonstrate the potential for closer economic ties.

Asean's interdependence in trade and defence underscores the necessity for greater cohesion. Drawing from successful models like the European Union, Asean should consider adopting a common currency to streamline transactions and foster economic unity.

Instead of questioning readiness, the focus should be on determining when Asean will transition towards an integrated currency, recognising the benefits it could bring to regional stability and prosperity.

All in all, the inevitability of future ringgit shocks is tied to the persistent volatility in global markets, creating continuous waves of challenges for Malaysia's economic stability.

The recent downturn serves as a stark reminder of neglected areas within the economy that demand attention for sustained growth.

These neglected sectors, whether infrastructure or education, have been overshadowed by short-term economic gains but are crucial for Malaysia's long-term prosperity.

Addressing these issues requires strategic planning and investment to fortify the economy against future shocks. Failure to address these neglected areas risks prolonged vulnerability to market fluctuations, hindering Malaysia's ability to thrive in an increasingly uncertain global landscape.

The ringgit is currently in a state of gliding instead of sliding. The current dip of the ringgit is a natural and organic progression, and as long as we implement the right measures, Malaysia will witness an upswing in a more swiftly manner, as long as the policy environment is adjusted.

*The writer is an Asian thought leader, philanthropist, speaker and author. He is the founder and executive chairman of the QI Group, a multinational conglomerate headquartered in Hong Kong with interests in areas such as education, retail, direct selling, real estate, hospitality and luxury products.