

OP-ED: THE CONTRADICTIONARY ECONOMIC INDICATORS - THE REAL COST FOR ORDINARY MALAYSIANS

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A survey by the UCSI Poll Research Centre published in February this year had delivered a painful revelation: an overwhelming 89% of Malaysians are deeply troubled by the rising cost of living, with a nearly equal 87% currently grappling with severe financial stress.

The cost of living (COL) will remain a mountainous challenge for us, even with the easing of headline inflation and forecasts of stronger economic growth in 2024. COL has become a systemic issue, and our Ringgit value has plummeted, exacerbating financial strain across the nation.

The average Malaysians are feeling the pinch as the country's economy grew slower than expected in the fourth quarter of 2023, with subdued exports contributing to one of the weakest GDP growth rates in recent history.

Though economic indicators paint a seemingly rosy picture of stability and growth, yet beneath the surface, ordinary Malaysians grapple with a starkly different reality. As costs of living soar, taxes climb, and utility tariffs spike, the disconnect between official reports and daily struggles becomes increasingly glaring.

The government frequently forecasts Malaysia's robust GDP growth and stable inflation rates as signs of a healthy economy. But for the average Malaysian, these figures translate poorly into daily economic experiences. The costs of essentials—food, housing, and healthcare—have surged at alarming rates.

This rise in prices isn't just a minor inconvenience; it's a significant threat to the quality of life and financial security of millions. It is indeed worse for Sabah and Sarawak folks who are already paying higher price of goods than their Semenanjung counterparts.

Take, for example, the recent increase in utility tariffs. The government justifies this as a necessary adjustment to reduce government spending on subsidies and infrastructure improvements. While the rationale might make sense from a macroeconomic perspective, it hits ordinary citizens hard.

Families now must stretch already thin budgets to cover higher electricity and water bills. This isn't merely uncomfortable; for many, it's unsustainable.

Taxation is another area where the pinch is felt acutely. Recent hike in tax structures, purportedly aimed at adding more into the government coffers, instead feel like an additional burden to the common man.

The increased taxes carve a larger chunk out of modest incomes, leaving less for savings and even less for discretionary spending. What is the use of improved public services when the cost renders them effectively inaccessible to those they're meant to help?

Moreover, the argument that increased taxes and utility costs are reinvested into the economy for everyone's benefit rings hollow when the immediate impact is so crippling.

The theoretical long-term gains do little to alleviate the current strain on everyday Malaysians who find their wages stagnant, but their expenses climbing.

Contrast this with the glowing economic reports that tout Malaysia's economic resilience and growth potential. These reports, while not inherently misleading, fail to capture the full picture. They do not account for the distribution of wealth, nor do they reflect the disproportionate inflation that affects the lower and middle-income brackets far more than the wealthier segments of society.

The reality is that a significant portion of the population does not experience the benefits of reported economic growth. Instead, they face a daily survival battle, making tough choices about what meals to skip, which bills to pay, and how to afford basic necessities. This is the true economic indicator—the lived experiences of the people, which starkly contradict the official data.

Furthermore, the rising cost of living contributes to a broader social issue: the erosion of the middle class. As the economic divide widens, the backbone of any economy—the middle class—finds itself shrinking. This has long-term implications for economic stability and social cohesion, as a diminished middle class leads to reduced consumer spending and lower overall economic participation.

The situation calls for a more nuanced approach from policymakers. It is not enough to celebrate macroeconomic stability when microeconomic conditions tell a story of hardship and struggle. Policies must be recalibrated to ensure that economic growth is inclusive and genuinely beneficial to all sectors of society.

One immediate action could be the introduction of more holistic tax systems - like GST - which is based on consumption. Additionally, utility subsidies for low and middle-income families could prevent these necessary costs from becoming a financial catastrophe for those already on the brink.

Economic policies should also focus on wage growth, particularly in sectors where wages have not kept pace with the cost of living. By ensuring that wage growth aligns more closely with the cost of living increases, the government can help ensure that economic growth translates into real improvements in people's lives.

In conclusion, while Malaysia's economic indicators may seem satisfactory at a glance, a deeper dive into the lives of ordinary Malaysians reveals a troubling disconnect.

It is imperative for the government to rethink its approach to economic growth, ensuring that it is not just the numbers that look good, but that the people behind those numbers genuinely feel and benefit from the growth. Only then can we claim true economic success.

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