



17 AUG, 2023

Digital econ investment surge signals confidence

Daily Express (KK), Malaysia

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KUALA LUMPUR: The surge of investment commitments in the digital economy sector is a clear signal of investor confidence and strong digital economic prospects in the near term, an economist said.

Sunway University economics professor Dr Yeah Kim Leng said a positive growth in the sector is expected to invigorate the information and communications services and e-commerce sectors which moderated from around eight per cent growth annually before the onset of the Covid-19 pandemic to slightly below six per cent between 2020 and 2022.

"The sector's growth is projected to pick up to six and eight per cent year-on-year (y-o-y) in the second half of 2023 on account of the tripling of digital economy investment amid sustained consumption growth," he told Bernama.

Last week, Communications and Digital Minister Fahmi Fadzil revealed that Malaysia has secured another RM5.2 billion worth of investment commitments in the digital economy sector from China (RM3 billion) and Singapore (RM2.2 billion).

He added that the ministry had brought in a total of RM28.4 billion investments in the digital economy sector in the first half of 2023, a 279 per cent jump from RM7.5 billion in the same period last year.

Citing a Department of Statistics Malaysia (DoSM) survey, Yeah said factors supporting the growth of the digital economy sector include the rising usage of computer, information technology and web presence by businesses across all sectors.

The quarterly survey also revealed a 10.4 per cent y-o-y rise in e-commerce income to RM291.7 billion in the first quarter of 2023, primarily driven by the manufacturing and services sectors.

Therefore, with a projected growth of six to eight per cent annually over the next few years, Yeah said the digital economy



E-commerce income rose 10.4pc over the first quarter of this year. (Miera Zulyana)

sector is on track to expand to a quarter of Malaysia's Gross Domestic Product by 2025.

"The e-government policy and digitalisation initiatives mounted by various ministries, including the central bank's drive to accelerate digital payment and banking services, are expected to boost the digital economy's growth trajectory.

"In addition, the 5G rollout together with more rapid digital adoption by businesses and industries to meet growing customer and business demands will spur entrepreneurship, innovation and productivity increases that will feed the self-propelling growth of the digital economy," he added.

Meanwhile, foreign investors flocked to Malaysia in July, spurred by growing signs that the US Federal Reserve (Fed) is nearing the end of its rate tightening cycle, said RAM Ratings.

It noted that both the equity and bond markets saw keener foreign buying activity. The overall foreign inflows into the bond market more than doubled month-on-month (m-o-m) to RM11.3 billion (June: RM5.2 billion) – the largest since June 2020

and the seventh successive month of foreign net purchases.

"Bursa Malaysia also recorded a net foreign inflow of RM1.4 billion after 10 consecutive months of net outflows.

"The better investor sentiment and appetite for riskier emerging market assets came on the heels of an encouraging US inflation print release in early July which showed a moderation to 3 per cent, the lowest since March 2021," it said.

"Since a further 25 basis points (bps) rate hike on July 26, the Fed appears to be less hawkish, raising market bets that it may not follow through with the last 25 bps hike Federal Open Market Committee members projected for this year," it added.

The rating agency noted that the stronger demand saw the benchmark 10-year Malaysian Government Securities (MGS) yield falling 4.8 bps m-o-m to 3.84 per cent as of end-July while the ringgit appreciated to 4.54 against the US dollar (end-June: 4.68). As of Aug 15, the 10-year MGS yield stood at 3.88 per cent while the ringgit stood at 4.63 per US dollar. – Bernama



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SUMMARIES

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