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Will 2024 be a Big Year for the Madani Administration?

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SYNOPSIS

By the end of the Aidilfitri gatherings of food, handshakes and selfies in a little over a month's time, the Anwar government would have marked 18 months in Putrajaya. That is approaching one-third of a five-year term. The question will soon be asked – after all the fiery speeches, lofty promises and lectures about stability and compromise in the post-general election coalition – what is the net outcome?

COMMENTARY

There have been a few eye-catching policy documents. The National Energy Transition Roadmap sets out a bold agenda for Malaysia's path to net zero. Goals are bold, specific and measurable, the chief of which is revising the installed capacity of Renewable Energy (RE) to 70 per cent by 2050. The roadmap also sets out the path to goals such as an RE exchange for cross-border trading, residential rooftop solar programmes and liberalisation of the power sector to incentivise RE adoption. Some of these paths are being walked on already, proving that there is some action to back the talk.

The New Industrial Masterplan is arguably even more ambitious, including more than doubling manufacturing wages in an overall push to partially rectify Malaysia's premature de-industrialisation. There are also big ideas for a progressive wage model and a special economic zone (SEZ) with Singapore.

There is a question about whether these and other plans amount to a particular theme and if so, whether it has been communicated effectively so as to be entirely clear on the direction of travel, rather than the mere appearance of motion. Nonetheless, 2023 was indeed a big year for launching plans and articulating grand statements of intent.

Of course, Malaysia has a history of having plans that look great on paper. At any point, there could be more than ten live blueprints or documents that overlap and cut across ministries and agencies. The test for the government is how they fare in implementation.

Mixed Indicators and Backdrop

In one respect, 2024 ought to be an opportune year for the Madani administration to live up to expectations. The opposition does not have an alternative set of policies as yet. Elections are several years away. Residual goodwill still exists, although fast dissipating. Crucially, Malaysia's political economy dictates that it is the tangible results from all statements and programmes that count.

Results have been mixed. The government can point to the fact that the labour market is tight and has essentially recovered to pre-pandemic levels. However, underemployment remains a structural problem, with the attendant but separate challenge around wages and productivity hampering any broad claims of improved livelihoods.

Add to this the issue of a persistently weak and weakening Ringgit, which has become a political hot potato reminiscent of the 1997-98 Asian Financial Crisis. The external circumstances and fundamentals of the economy may be markedly different, but the mental association doubtless dampens the domestic mood. Malaysia's food imports remain elevated, and a weak currency has knock-on effects on prices and spending power.

The week that the Ringgit fell to a 26-year low in February 2024 was likely one of the toughest for Prime Minister Anwar Ibrahim yet – with chatter and anger across all media and conversation platforms a sure sign that if there was ever a honeymoon period, it was decidedly over. This also means that while headline inflation is low at 2-3 per cent, it is not banked in as political dividend to the government for it simply does not translate to the lived experience of many Malaysians.

This mixed backdrop is made more challenging by *schadenfreude* among opponents and critics all too prepared to remind the Prime Minister and his colleagues of their remarks on the economy while in opposition.

FDI is Political

But currency value is not the only figure used in everyday conversation as shorthand for economic virility. Another indicator is investments, particularly foreign direct investments (FDI). The optics and numbers on these are politicised to shape the prevailing narrative.

On this, the government gets to bat first. The geopolitical environment means that investment flows are likely to come to Southeast Asia and Malaysia stands to gain by default. No matter, figures like the MYR 329 billion (SGD 93.7 billion) of approved investments in 2023 – the highest ever on record – are data that boost the score.

But political football is kicked around by critics too. Many point out that approved investment numbers are not yet realised and tangible for the public. Politically, they will not on their own carry the day, especially when bad news about FDI outflows – such as Goodyear's recent announcement that it is shutting down its Shah Alam manufacturing facility of over 50 years, causing job losses in the hundreds – often travels faster and further.

The government predictably counters with its own data, such as the recent declaration that FDI approved in 2022 and 2023 are *projected* to create over 98,000 new jobs.

Expect this back and forth about FDI to go on in the public domain for some time to come as the old idiom about seeing the glass half full or half empty finds everyday expression.

Nonetheless, the situation can objectively be said to be better if and when wages actually increased, and things like the SEZ actually kick off with projects and economic opportunities registered to contribute to an overall feeling that the nation is back on track. This has yet to arrive.

Sterner Tests Await

One should also think that any government led by Anwar Ibrahim would want to be assessed not merely on its technocratic delivery capabilities in the short term, but on its promise of reshaping the country through fundamental reforms, including economic ones.

Here, some things are proving easier to reform than others. When it comes to things like the capital gains tax introduced this year, and where one finds little resistance from the masses, the Prime Minister can live out his intuitively traditional left-of-centre leanings.

On more contentious issues that may invite scrutiny from larger segments of the population, or where there is a political price to pay, things get a bit murky. Back in October 2023, the perfectly sensible sale of the armed forces pension fund's stake in Boustead Plantations – an underperforming asset it needed to get off its books – was killed at the eleventh hour after the opposition essentially dog-whistled about the proposed purchaser Kuala Lumpur Kepong Berhad (KLK), which although a public listed entity, was deemed to be non-Bumiputera. It was a timely reminder that in Malaysia, commercial imperatives do not always win out if there is no political air cover.

More recently, a lack of clarity about proposed changes to subsidised rice caused embarrassment and confusion when officials conveyed contradictory messages. The task force head of the national cost of living committee introduced a new category of subsidised rice. With the name "Beras Madani" (Madani Rice) – Madani being the administration's brand – already inducing eye rolls from a cynical public, it was meant to replace all existing subsidised rice categories. After receiving public backlash that the proposed price for Beras Madani was more expensive, the PM claimed that a final decision had yet to be made. Since then, the idea appears to have suffered a quick death, but not before inflicting reputational damage on the administration.

Last-minute inclusions of economic activities taxable under the service tax regime from March onwards caused businesses to scramble, while equally sudden exemptions from that same regime added to the sense of disarray and an administration sometimes reacting to the loudest public protests, rather than setting the terms and standing its ground.

Sterner tests of resolve and operational competence await, such as plans for fuel subsidy rationalisation to free up fiscal space and channel more productive spending and investments. Based on the government's chequered record on political will and communications, there will be those who understandably doubt if it will see the light of day in its full, intended form.

An Administration of Consequence?

2024 is potentially the year that the Madani administration can demonstrate boldness. As the central bank governor remarked, there is now a window to enact structural reforms. That window may not last long. What the governor – or anyone else – cannot know is whether the Prime Minister has the creativity, capacity or will to spend the political capital necessary to be an administration of consequence and not just another edition in Malaysia's long line of incrementalist governments.

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