

Sabah eyes higher GDP per capita this year

By **S. Joan Santani** - July 8, 2024 @ 9:19am



According to the Department of Statistics Malaysia (DOSM), Sabah's GDP per capita fell 13 per cent to RM31,147 in 2023 from 35,860 registered in 2022.

KUALA LUMPUR: Sabah's gross domestic product (GDP) could rise this year due to growing interest from the US-Asean Business Council, particularly in the information and technology sector, as well as a group of Chinese investors exploring trade and investment opportunities in the state.

The Federation of Sabah Industries and the State Industrial Development and Entrepreneurship Department expect new investments to positively impact the state's economy, increasing GDP per capita.

According to the Department of Statistics Malaysia (DOSM), Sabah's GDP per capita fell 13 per cent to RM31,147 in 2023 from 35,860 registered in 2022.

GDP per capita breaks down GDP to amount per person and is generally regarded as an average living standard and economic well-being.

Director and Founder of Williams Business Consultancy Sdn Bhd, Dr Geoffrey Williams, said the drop in Sabah's GDP is mostly because the population has grown to 3.6 million in 2023 from 3.4 million in 2020.

"The economy depends on commodities, especially lumber, palm oil, and oil and gas. Manufacturing is growing but still lags behind. Tourism is a huge earner, but competition is growing from other regional tourist attractions.

"These have not provided the same growth as in the past and are not enough to keep pace with population growth," Williams told the Business Times.

There is also competition for foreign direct investment and trade from Sarawak, which appears to have a much more vibrant, agile, and competitive policy agenda at the moment with a new sovereign wealth fund, free higher education by 2026, a new state bank, and a new state airline, he added.

"Sabah lacks a similar growth and development plan but could attract technology investment due to its proximity to Sarawak," added Williams.

Technology companies have huge energy demand, and the renewable energy sources in East Malaysia offer cheap electricity, which also meets the ESG requirements of foreign technology companies.

"This is the only real pulling point for Sabah in the technology infrastructure investment race.

"Sabah needs a new plan," added Williams.

State Industrial Development and Entrepreneurship Minister Datuk Phoong Jin Zhe said the Sabah government remains highly investor-friendly.

Chief Minister Datuk Seri Hj Hajiji Hj Noor has frequently emphasised Sabah's attractiveness to foreign investors.

Phoong said the sentiment aligns with the views expressed by US Ambassador to Malaysia, Edgard Kagan, who in April affirmed his confidence in the sustained investments by US firms in Malaysia.

Ambassador Kagan said that US investments have generated over 300,000 jobs nationwide, highlighting Malaysia's significant role in the Indo-Pacific Economic Framework (IPEF), which includes 14 countries and represents about 40 percent of global GDP.

Among these countries are Brunei, the Philippines, and Indonesia—neighbours of Sabah with longstanding collaborative ties under the BIMP-EAGA initiative.

Ambassador Kagan stressed the critical importance of this region, including Sabah, to US investment interests, particularly within the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

"This highlights the strategic relevance of Sabah and its surrounding areas," said Phoong.

US companies, including several Fortune 500 firms, have indeed shown substantial interest in investing in Sabah, said Phoong.

During recent engagements with Sabah and its one-stop investment agency, these companies expressed keen interest in exploring various investment opportunities.

Discussions with some US companies have progressed to the stage of planned investments.

Last month, Phoong said he had extended an invitation to US investors to explore opportunities in Sabah's burgeoning information and technology sector, which was important for Sabah's economic diversification and growth.

The invitation was made during a recent meeting with the US Ambassador to Malaysia, Edgard Kagan, at the Magellan Sutura Harbour.

The meeting underscored the potential for strong economic ties between Sabah and the United States, focusing on leveraging Sabah's strategic advantages and aligning with global technological advancements.

Phoong reiterated the state's readiness to support and facilitate investments that would drive innovation and development in the region.

The factors driving this interest in Sabah include the Sabah government's business-friendly policies, effective promotion and marketing by state-linked agencies, and the US's recognition of Malaysia's market potential and integration into global trade networks, he said.

"The sectors attracting US investment interest encompass renewable energy, sustainability, medical devices, agro-technology, tourism (including health tourism), and ESG-related initiatives.

"We look forward to continuing our efforts to foster a conducive environment for US investments in these and other sectors, further strengthening our economic ties," he told Business Times.

It is also learned that a group of investors from Zhejiang Province, China, are in Sabah to explore bilateral trade and investment cooperation.

They held discussions with the Sabah China Chamber of Commerce (SCCC), aiming to boost economic development in Sabah and Zhejiang and foster cultural and commercial exchanges.

Meanwhile, Federation of Sabah Industries president Richard Y.H. Lim said there are only a handful of American companies in Sabah, notably Coca-Cola and AIA, which are more like trading outposts for their respective corporations in the state.

"There are no major or serious investments or manufacturing plants set up by any US companies in the state," he said.

However, amidst the trade war with China and America's focus on protecting its interests in the Indo-Pacific, Sabah should be seriously considered as an attractive option for 'friend-shoring.'

Richard said this would help balance the growing investments and influence of East Asian countries in the state.

"With our advantages, including a common law system that respects the rule of law, a young and educated workforce, widespread use of English as the working language, a strategic location along major trade routes in the South China Sea, and a stable, business-friendly environment, we are well-positioned.

"Additionally, our proximity to Indonesia's future capital, Nusantara, makes us a powerful gateway to the opportunities in the Indonesian market.

"We hope that after the business mission of the US-ASEAN Business Council led by Ambassador Brian Mcfeeters and a closer interaction with AMCHAM, more American businesses can find Sabah attractive and worth investing in," said Richard.