The Sabah economic model: A general overview


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Since the formation of Malaysia in 1963, Sabah has accomplished many things in terms of economic development. However, much has been accomplished. It has increased by many folds. Poverty rate has also been reduced significantly. In addition, Sabah has become one of the biggest peaks of petroleum, rubber and most of the world.

The trade performance is in exceptional circumstances. Sabah’s trade performance is to be USD 24 million in 1966. (K. Rides, 2013) while in 1967 the trade value was reported to worth approximately USD 12 billion. (K. Rides, 2013)

Sabah’s trade sector has also become more dynamic with more diversified export products are reported in the last four decades.

Service sectors are the main contributor to Sabah’s economy. In the early years of independence, the service sector was natural, natural resources and agricultural products were the most important contributors.

Gradually, there were significant transformation when the economy shifted to service sector, as the main contributor to the economy. Sabah has a large increase of workers, and a number of the 20,000 workers were employed in the service sector. All these changes were due to the increase of workers in the service sector.

Apart from commercial harvesting of timber resources, the rainforests of Sabah also provide significant potential, extraction of non-timber forest products and medicinal plants for the pharmaceutical industry. Despite these, some argue that Sabah should and could have done better. Some even claim that Sabah is only backward compared to many other states in Malaysia.

In this regard, some view that Sabah’s economic performance is "underperforming", due to inadequate allocation from the federal government, lack of autonomy in decision-making in industry, and infrastructure, among other things. Obviously, there are many issues that require serious attention such as date and rubber trade balance position (R. Rides, 2013); regulation and institution transformation issues as such as labour and business licensing and even sustainable water supply in certain areas.

Moreover, it might also be that Sabah is in the present economic circumstances due to non-coordinate policies. The question now is, what is the best comprehensive economic or ecosystemic model that can explain the variables that influence Sabah’s economy? To what extent drafted economic plans so far were based on a comprehensive economic model?

This article highlights my personal view as well as the view of many stakeholders that has been published by myself and a group of researchers from Universiti Malaysia Sabah. Research grant: G010000.2603.18H93 (2013) took into the test and the main exception. We are merely interested in what might have been the thoughts of many Sabahan’s including policymakers. This might also be the plan for guidelines for implementation.

Model and methodology

Figure 1: Gross Domestic Product (GDP)

Equation 1 in figure 1 shows the supply chain of a country’s Gross Domestic Product (GDP). It consists of four key elements of an economy: consumption, investment, government expenditure, and net export.

GDP is the monetary value of all final goods and services produced within the geographic borders of a country over a specific period of time. In other words, it is the total income or production of goods and services in a country.

Figure 2: Value Added Product (VAP) from Sectoral Perspectives

Equation 2 in figure 2 shows the highly aggregated sectors which contribute to Sabah’s Gross Domestic Product. Industry, manufacturing, construction, manufacturing sector, construction sector and others represent 64.49%, 16.83%, 5.78% and 3.54% of Sabah’s economy respectively.

Figure 3: Sabah’s economic model

Equation 3 in figure 3 depicts the component of a proposed Sabah’s Economic Model where it presents some of the key determinants of Sabah’s economic performance. These variables in equation 3 (in figure 3) directly or indirectly have influenced the variables in equation 2 (in figure 2) and equation 1 (in figure 1).

In this case, variables include: labor productivity, output, value added, productivity, income distribution, and economic growth. These variables influence the variables in equation 1 (in figure 1) that are namely private consumption in the economy, investment in the economy, government expenditure, and net export.

Table 1: The Model of Sabah’s Economic Model

<table>
<thead>
<tr>
<th>Model of Sabah’s Economic Model</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>Income distribution</td>
<td>Includes all sorts of policies and regulations which are not limited to imports, exports, business incentives, investment promotion, labor market policies, taxation, urban planning, land use, infrastructure, public sector, property, security and immigration among others. It concerns certain strategies to be included to accommodate the needs of business and investors.</td>
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<tr>
<td>Labor productivity</td>
<td>Labour productivity is a major element in the economic growth. For this reason, it is the main objective in Sabah’s economic model. Labour productivity is the average of the amount of output (or value added) produced per labour person.</td>
</tr>
<tr>
<td>Output</td>
<td>Output is supposed to be a measure of economic performance and production and is: the rate of output in terms of the amount of output per man-hour in the labor market.</td>
</tr>
<tr>
<td>Economic growth</td>
<td>In Sabah’s economic model, it is the rate of change of output in real terms which is the rate of change of output in terms of the amount of output per man-hour in the labor market.</td>
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<tr>
<td>Total assets</td>
<td>Total assets are the total amount of tangible and intangible assets owned by the government. It is an important factor in economic growth as it represents the availability of capital for investment.</td>
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In conclusion, the Sabah economic model can be improved by focusing on the following areas:

1. Infrastructure development
2. Labor productivity
3. Total assets

In order to improve Sabah’s economic performance, the actions, policies or regulations or incentives should be targeted at the variables mentioned above and other factors not mentioned in this article.

The economic model presented in this study can be further improved by including factors such as education, health, and environment which are not currently considered in the current model. The inclusion of these factors would provide a more comprehensive understanding of Sabah’s economic performance.

The economic model presented in this study provides a framework for policymakers to make informed decisions regarding economic planning and development in Sabah. It highlights the importance of focusing on key determinants of economic performance and suggests potential areas for improvement. However, more research is needed to fully understand the complex interrelationships among these factors and how they influence economic outcomes in Sabah.