

## **Sarawak firms gain on growing confidence**

KUCHING: Signs are showing that Malaysia is in good economic climates, and Sarawakian firms equally share that notion.

MIDF Amanah Investment Bank Bhd (MIDF Research) saw that Malaysia's leading index recorded the highest in two years.

In March 2017, leading index grew by 1.8 per cent year on year (y-o-y), the highest since March 2015 at 2.8 per cent y-o-y. The solid growth was contributed by steady growth in new business registrations, real imports of semiconductor, real money supply M1 and expected sales value in manufacturing sector.

As for coincident index, the indicator expanded by 2.9 per cent y-o-y to 129.1 point. Based on the performances of both indexes, Malaysia economy is expected to expand further between July and September this year.

GDP growth is slightly above our expectation of 5.4 per cent y-o-y. Malaysia GDP reached 5.6 per cent y-o-y in the first quarter, highest in two years. The strong growth is expected due to better performance in global trade as well as domestic economic activities in the first three months of 2017.

This is line with the upward trend in industrial production which grew by 4.3 per cent y-o-y during the first quarter.

Bank Negara Malaysia's Governor Datuk Muhammad Ibrahim commented that there is a pick-up in industrial activity and trade, along with the increase in commodity prices, which points to a quickening in growth momentum.

"Significantly, this growth upturn is characterised by a synchronised expansion in both the advanced and emerging countries. This has given policy makers some cautious optimism for a sustained recovery of global growth and international trade.

"In particular, the improvement in advanced economies is encouraging as it is led by recovery in investment activity. Emerging economies are benefiting from external demand, aided by the improvements in commodity prices.

"Our assessment is that the global economy will continue to gradually improve," he said in his text speech for ASLI's 21st Malaysian Banking Summit 'State of the Industry Address', last month.

Malaysia's economy drew parallels with the performance of the global economy by recording its strongest GDP growth in more than two years.

"In Malaysia, the economy has been boosted by the expansion in global demand. The strongest export growth in 28 quarters has provided additional impetus to our domestic demand.

"Consequently, the Malaysian economy started 2017 with a robust growth of 5.6 per cent in the first quarter. We are on track for a better economic growth compared to last year," Muhammad noted.

### **Growing confidence in business**

Private sectors remain the main contributor, MIDF Research added, as economic growth for the first quarter is mainly contributed by private consumption and investment with both grew solidly by 6.6 and 12.9 per cent y-o-y respectively.

Apart from that, total investment rose sharply by 10 per cent y-o-y, triple than previous year's growth of 3.1 per cent. Improvement in Malaysia's consumption and investment is possibly explained by the optimism in consumer and business confidence during the first quarter.

According to Malaysian Institute of Economic Research, business confidence rose significantly from 81.2 point in 4Q16 to 112.7 point in 1Q17 while consumer confidence grew firmly to 76.6 point.

The commendable performance by private sector in the first three months of 2017 validated the rise in both leading indicators.

"Malaysia's economy on track for 4.9 per cent growth. Based on the current indicators, we are optimistic that Malaysia's economy to expand by 4.9 per cent this year given the upbeat performance of domestic and global economy.

"Moving forward, we opine steady improvement in major economies coupled with modest growth in commodities prices will provide a positive impact on Malaysia's economy via exports demand and increase in industrial production especially in the export-oriented industries," it added.

"Besides, improving labour market, continued wage growth and moderating inflation will support and spur domestic economy."