

Q1 RESULTS

'MOMENTUM LIKELY TO BE SUSTAINED'

Strong 4.2pc GDP growth mainly driven by private sector expenditure and turnaround in exports, says governor

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MALAYSIA'S economy should sustain its growth momentum this the year after the strong first quarter performance, said economists.

The country's gross domestic product (GDP) expanded 4.2 per cent in the January-March period, beating market expectations of a 3.9 per cent growth.

Bank Negara Malaysia governor Datuk Abdul Rasheed Ghaffour said the better growth

print was mainly driven by private sector expenditure and a turnaround in exports.

He said exports recorded positive growth after three consecutive quarters of contraction, driven mainly by a broad-based improvement for export of manufactured goods.

Abdul Rasheed also said growth was projected to come in at between 4.0 and 5.0 per cent this year, anchored by sustained domestic demand and an improvement in external demand.

Bank Muamalat Malaysia Bhd chief economist Mohd Afzanizam Abdul Rashid said the strong first quarter performance surpassed expectations with domestic demand emerging as the key driver.

"We saw private and public investments accelerating 9.2 per cent and 11.5 per cent, respectively, in the first quarter, mainly due to the implementation of infrastructure projects.

"At the same time, consumer spending grew 4.7 per cent, up from 4.2 per cent previously, despite the rising cost of living and a weak ringgit.

"Looking ahead, I believe that the GDP growth will remain above four per cent and accelerate in the second half," he added.

On inflation, Afzanizam agrees with Bank Negara's assessment that it boils down to policy changes, especially on fuel subsidies, as well as the impact of exchange rate movements on input costs.

He said the Overnight Policy Rate (OPR) was likely to remain elevated. "We cannot rule out the possibility of a higher OPR. It's a very delicate situation," he added.

Economist Dr Geoffrey Williams said the strong first quarter performance showed the resilience in the overall economy.

"A four to five per cent GDP growth is now more achievable."

He added that this momentum could be sustained.

"The results are stronger than the advance estimates on an annual basis and quarterly growth is also positive.

"The headline inflation is only modestly higher at 1.7 per cent compared to 1.6 per cent previously but core inflation has fallen to 1.8 per cent from two per cent. This shows that the inflation environment is stable and likely to remain so in the coming months."

Williams said sustaining the positive momentum was certainly possible, with withdrawals from the Employees Provident Fund's (EPF) Akaun Fleksibel potentially adding a RM25 billion boost.

"The recent United States sanctions on China opened opportunities for Malaysia to replace Chinese suppliers. This will help exports," he noted.

Malaysian Institute of Economic Research economist Dr Shankaran Nambiar opined that the strong first quarter performance highlighted the continued optimistic outlook for the country.

He said there might also be an increase in tourist arrivals over the next few months.

"Additionally, we can anticipate the initiation of some projects, I



Bank Negara Malaysia governor Datuk Abdul Rasheed Ghaffour with Statistics Department chief statistician Datuk Seri Dr Mohd Uzir Mahidin (left) at the announcement of the country's first quarter economic performance yesterday. PIC BY ASYRAF HAMZAH

believe that this will maintain the growth momentum in the months ahead.

"Nevertheless, we should keep an eye out on household debt."

Moving forward, Nambiar said inflation would not be a problem given the improvements in trade, tourism and consumer spending.

"Compared to the fourth quarter of last year, headline inflation has only increased by 0.1 per cent, indicating that there is nothing to worry about regarding inflationary pressures.

"The right measures have been put in place to keep household spending buoyant," he added.



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