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MALAYSIA-GROWTH

MALAYSIA'S GROWTH MOMENTUM WILL CARRY THROUGH, SAY ANALYSTS

By: Tham Choy Lin

SINGAPORE, July 18 (Bernama) -- Malaysia's robust economic performance will carry through for the rest of the year although the pace is likely to moderate in the second half, said analysts.

Revising yet again Malaysia's Gross Domestic Product (GDP) to 8.9 percent, Standard & Poor MMS International analyst Sani Hamid said the momentum from the unexpectedly high first half would continue, even despite the tapering off the base year effect and the risk of a slowdown in the United States.

"The prognosis for Malaysia, from a macroeconomic standpoint, looks extremely bright this year. Exports, specifically that of electronics and electrical, continue to lead growth although there are signs that both domestic consumption and investment are picking up," he said.

S&P MMS International had upgraded its call to 7.1 percent in April from six percent in January even before Malaysia posted a blistering 11.7 percent first quarter performance.

Sani said a combination of slack capacity, higher base last year and continued stringent price controls by the government had ensured a "Goldilocks" scenario of high growth and low inflation in the first six months of Malaysia.

He expected Malaysia's second quarter performance to be 10 percent for a first half growth of a high of 11 percent and to move along at an average five percent in the remaining months.

Prime Minister Datuk Seri Dr Mahathir Mohamad said recently the second quarter growth would be about nine percent.

ABN Amro Bank said the pick-up in Malaysia's growth momentum was supported by a broadening of growth from the external sector to domestic demand and expected it to continue, especially with a supportive policy environment.

"The broad-based growth dynamics are likely to continue, although some moderation in the second half of 2000 to a more sustainable level of five to six percent is expected. The external sector, despite a lower contribution to headline growth, will likely remain robust," said the bank's regional economist Mangal Goswami in its latest economic quarterly.

"We expect a one-notch upgrade in Malaysia's sovereign rating to BBB+, underpinned by the improvement in external liquidity, manageable public debt despite financial restructuring and strong growth momentum," he said.

A higher rating would hinge on the pace of corporate restructuring, Goswami said.

ABN Amro had also upped its GDP forecast by a full point to 7.5 percent after the first quarter.

Goswami noted that with inflation still benign and capital controls insulating the impact of higher US rates, Malaysia's Bank Negara had continued to maintain its accommodative monetary stance and expected that to stay in the near term.

"Malaysia's external liquidity situation has improved further and compares favourably with its peer group as well as in relation to international standards. It has a moderate level of short-term external debt and healthy foreign reserves," he said. -- BERNAMA

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