

22/08/2000

Q2 growth expected to be around 9pc

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ECONOMISTS have forecast the country's second quarter gross domestic product (GDP) growth to be around 9 per cent or more, considering the broad-based recovery of the Malaysian economy.

Institute of Strategic and International Studies Malaysia deputy director-general (economics) Datuk Dr Zainal Aznam Yusof, when contacted by Business Times yesterday, expects a figure of "around 9 to 10 per cent.

"I would concur with the Prime Minister Datuk Seri Dr Mahathir Mohamad of 9 per cent or slightly higher," he said.

Zainal based the figure strongly on the manufacturing index which shows an increase of 25 per cent and also the industrial production index.

"The manufacturing sector is an important contributor and strong indicator of the GDP," he said.

Zainal also based his forecast on the services sector which, during the downturn, has not been badly affected.

"We can also base this figure on the services sector which is also a great indicator. The construction industry is also really improving and has bounced back," he said.

Asked why his forecast of 9 per cent is not as strong as the first quarter GDP performance of 11.7 per cent, Zainal attributed it to several reasons.

"The economy is recovering really, really fast, particularly manufacturing. So it has got to slow down.

"Secondly, I would base on what I would call 'the statistical' effect where based on the figure of last year's quarter, there has got to be a lower growth in this year's quarter. This is a genuine recovery," he said.

Malaysian Institute of Economic Research (Mier) executive director Dr Mohamed Ariff Abdul Kareem also forecast a figure of 9 per cent for the second quarter and subsequent quarters.

"Recovery is more broad-based with improvements in banking, property, insurance and construction," he said.

"I do not see it (the figure) going down," he said, adding that he foresees a growth of between 7 and 8 per cent for 2000.

Mohamed Ariff said favourable external environment and increase in domestic demand will support strong growth this year.

Bank Negara is expected to release the country's GDP data for the second quarter this week.

Meanwhile, a Reuters poll estimated the Malaysian economy to have expanded by 9.2 per cent year-on-year in the second quarter. The poll also forecasts 2000 growth at 8.6 per cent.

The poll of 10 research houses projects that the year-on-year growth rate will moderate to 6.2 per cent in 2001.

The poll showed analysts continue to revise upwards their GDP forecasts for both 2000 and 2001.

"All the sectors together are doing quite well and we are also seeing a pick-up in investment," said Ping Tan, economist at JP Morgan in Singapore.

Strong overseas demand for semiconductors and other electronics items has fuelled a boom in the manufacturing sector and underpinned overall growth.

But the blistering rate is expected to cool off next year as global demand for electronics hits a plateau, analysts said.

"It will also partly be due to the base effect," said Bhanu Baweja, regional economist at IDEAglobal.com.

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