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Economists see lower April-June GDP growth

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ECONOMISTS expect gross domestic product (GDP) growth for the April-June quarter to slip to between an annual 1 per cent and 2.7 per cent, with the figure weighed down by poorer performance of the manufacturing sector and slower expansion of other activities.

"The second quarter is looking a little gloomy... all sectors of the economy are not holding up very well," said a local economist contacted by Business Times.

Prime Minister Datuk Seri Dr Mahathir Mohamad, quoted by Bernama, said yesterday that the second quarter was not as good as it should be and would probably register a similar growth rate as in the preceding quarter.

In January-March, GDP grew 3.2 per cent compared to the corresponding period last year, but was 3.1 per cent down from October-December 2000's 6.3 per cent.

For the whole year of 2000, the economy expanded a brisk 8.3 per cent, and for this year it is forecast to grow between 5 and 6 per cent.

Dr Mahathir attributed the expected slower growth to the slowdown in the US economy, which has not only affected trade between the two countries but also trade between Malaysia and the rest of the world.

"When it (the US economy) slows down, other countries are affected (as well) and in turn those countries affect us," he said after opening the 20th Al Baraka Symposium for the Islamic Economy in Kuala Lumpur.

Dampeners on second quarter growth noted by analysts include tepid private consumption and investment, and weak credit demand.

"Apart from manufacturing, the services sector is also slackening while agriculture is not expected to perform as strongly as in the first quarter.

"The robust 12 per cent spurt by agriculture in January-March was due to a low base in 2000, and is highly unlikely to be repeated in April-June," the economist added.

A foreign economist meanwhile pointed to weak electronics demand as the main culprit, saying neighbouring economies like Singapore, Taiwan and the Philippines have likewise been affected.

"In fact, due to its heavy dependence on electronics demand in US, Singapore might experience a steeper decline than Malaysia," he said.

For the Malaysian economy, it can be viewed largely as a correction from last year's exceptional technology sector growth.

"It's a retracement ... and as such will not cause too great a pain," he added.

"But the big question is whether there will be a rebound in the US economy, especially the electronics sector, in the second half of the year.

"All we can do is wait ... and the signs to watch out for include export-related production figures."

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