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Pick-up in local sectors to bolster economy

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DESPITE the impact of weaker US demand for locally manufactured electronic and electrical products, other Malaysian manufactured goods are set to perform on diversified demand from the expected pick-up in the construction, mining, services and agriculture sectors.

Affin-UOB Securities Sdn Bhd's chief economist Suhaimi Ilias, who said this in an interview in Kuala Lumpur recently, added that the issue was whether the weak demand for the electronic and electrical products would drag the entire economy into a recession.

Prime Minister Datuk Seri Dr Mahathir Mohamad had last week indicated a slightly improved economic performance for the third quarter of this year.

Suhaimi said: "The Government is of the view that a recession would not happen as the Malaysian economy is well diversified.

"Domestic manufacturing performance is still expected to be sanguine on positive leads from the agriculture, mining and services sectors which are expected to pull up the Malaysian economy.

"The construction sector had been slated to pick up in the second half of the year as Government-awarded projects from the first half year translate into activities. This will positively spill over into related manufacturing activities for cement, concrete piles, bricks, glass and tiles."

Suhaimi added that while cultivating oil palm was an agricultural activity, the act of processing crude palm oil and its derivatives was a manufacturing activity.

He views Malaysia's exposure to the electronics industry to be relatively limited when compared to Singapore's exposure.

"About half of Singapore's manufacturing output is in electronic and electrical items whereas in Malaysia, it constitutes about 30 per cent. Hence, the impact of the downturn in the US technology sector is less severe on Malaysia."

He expects the nation's gross domestic product (GDP) growth for the second quarter to slow to about 1.5 per cent compared to the first quarter's 3.2 per cent.

"GDP growth is expected to pick up in the second half year to between 2.5 and three per cent, largely on the pick up in performance of the construction sector. Growth in the mining, agriculture and services sectors is perceived to remain positive.

"Therefore, real GDP growth for 2001 is expected to be at about 2.5 per cent and which is down from 8.3 per cent last year. But it is still a slowdown and not a recession."

Islamic fund manager Metrowangsa Asset Management Sdn Bhd's head of research Nazaiful Affendi said that Malaysia might recover in the third quarter but GDP growth numbers would still be weak.

But fiscal measures in the later part of this year may boost performance of the economy.