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GDP-GROWTH

RESEARCH HOUSE EXPECTS GDP TO GROW 4.5-5.0 PCT IN 2002

By: Mohd Faizal Zakariah

KUALA LUMPUR, April 4 (Bernama) -- An equity research house expects the Malaysian economy to achieve above-expectation rates of GDP growth at 4.5 percent and 5.0 percent for 2002 and 2003 respectively.

The Prime Minister Datuk Seri Dr. Mahathir Mohamad previously said that he expects the country's GDP (gross domestic product) to grow by 3.0 percent this year while Bank Negara Malaysia (BNM) has forecast the rate at 3.5 percent.

Pankaj C. Kumar, senior manager of research in OSK Research Sdn Bhd said this to senior local fund managers at a briefing on the 2002 Economic and Stock Market Outlook held here recently.

He said the rosier outlook in the local economic growth trails that of a recovery in the US with a likelihood of a rise in US interest rates in the coming months after a maintained range at current levels to September.

There would be two engines of growth for the local economy this year: domestic sources would pilot growth in the first half 2002 followed by a gradual export-led recovery in the second half.

Malaysia's economic growth would remain dependant on the government's pump priming measures as private consumption would not be strong enough to bolster economic growth on its own despite the signs of recovery.

In the previous financial crisis, the local economy was kept alive by the government's expansionary budget in construction and infrastructure related projects. The government's pump priming role was pivotal.

In that period of turbulence, private consumption was lacklustre, Pankaj added. He also said the manufacturing sector would be stronger after months of contraction.

In the US, there is increased sense of stability in corporate earnings with people getting their jobs back, improved consumer confidence and spending as well as dwindling inventory levels.

Pankaj reasoned that consumers are buying more and this depletes inventories, forcing manufacturers to start producing more. Since the US is the world's major consumer market, imports of intermediate goods would rise and this would have a spillover effect on the global economy.

Inventory levels refer to buffer stocks producers and manufacturers maintain at a level sufficient to meet consumer demand. -- BERNAMA

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