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YEARENDER-ECONOMY

M'SIA ON THE ROAD TOWARDS ANOTHER STRONG GDP GROWTH IN 2002 & 2003

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KUALA LUMPUR, Dec 30 (Bernama) -- Unlike many of its neighbours which may not be doing too well economically, Malaysia's economic growth prospects this year remain on track, thanks to firmer palm oil and crude oil prices coupled with a resilient domestic economy, say economists.

"Agriculture and mining had acted as a buffer in the third quarter (of this year) and will again do so in the ensuing quarters. The low base in the previous quarter of last year is also a contributory factor for growth this year," said a research manager.

An economist said that following the move by banks to re-channel credit to households and the local interest rates had remained low, consumption spending has been instrumental for economic expansion in the first half of 2002.

"The contribution will grow in the final quarter due to the festive season and back-to-school spending," he added.

SJ Securities economist Anthony Dass has forecast that the Malaysian economy would expand by 4.2 percent in 2002 with a projected 6.2 percent growth in the fourth quarter of this year.

Factors that would drive the economy further in the final quarter, he said, would be the continuous strong domestic spending, especially for the festive occasions, pick up in investment activities namely in telecommunications and office equipment; and oil and gas sectors compounded by sustainable pace of export growth.

The Malaysian Institute of Economic Research (MIER) expects Malaysia's GDP to grow by 5.4 percent in the fourth quarter of the year compared with 5.6 percent in the third quarter.

Although economic indicators suggest a slight dip in the fourth quarter growth, an overall 4.0 percent GDP growth for 2002 is still achievable, said MIER's executive director Dr Mohamed Ariff Abdul Kareem.

In the previous three quarters of this year, the country's GDP has been gradually growing at 1.1 percent, 3.9 percent and 5.6 percent respectively.

Earlier this year, Malaysian authorities have projected that the country's gross domestic product (GDP) would expand at 4.0 percent this year and at 6.0 to 6.5 percent in 2003. Last year, the country managed to register a GDP growth of 0.4 percent despite the difficult economic tailspin that occurred after the September 11 attacks.

The World Bank is also optimistic about the country's economic outlook, tagging this year's growth at about 3.5 percent and rising to five percent in 2003. Noting that policy responses across the world that have been biased towards supporting recovery on the back of some uncertainty in global financial markets, the World Bank said this should help Malaysia withstand the global downturn.

But a word of caution shared by many economists is that the possibility of a murkier outlook for the world economy next year could cause a moderation in Malaysia's GDP growth in 2003.

MIER has forecast a GDP growth of 5.7 percent for Malaysia next year. Dr Ariff said the world economy is expected to improve in 2003 with the US economy picking up and Europe and Japan posting better growth. This is primarily due to improved electrical and electronics exports and better palm oil prices.

Dr Mohamed Ariff also said that in view of the uncertainty in the global arena, government stimulus for the economy is very much needed if

Malaysia were to achieve its targeted growth rate next year.

Prime Minister Datuk Seri Dr Mahathir Mohamad recently did hint that another stimulus package could be in the works when he said that the government has several strategies in mind.

Second finance minister Datuk Jamaludin Jarjis said stimulus measures are necessary to offset external negative influences. Last year, the government disbursed RM7.3 billion through two stimulus packages.

"We (the government) will continue to play our role," Jamaludin said, adding that Dr Mahathir, who is also the finance minister, would make the decision on the stimulus package in 2003.

SJ Securities' Dass said 2003 "offers a very tricky scenario as the US recovery has been a bit bumpy."

"The repeated shocks arising from the external front will not leave the domestic economy unscathed," he said. "I believe the Malaysian economy could be riding on a tight rope next year. While there are pockets of growth in the economy, I still feel there are areas of concern in the economy."

But on a more positive note, Dass projected that Malaysia would enjoy good prices next year for two primary commodities: palm oil and crude oil.

For palm oil, he expected it to move around RM1,400 per tonne while for crude oil, should there be a war in Iraq, prices could spike up to as high as US\$40 per barrel but would be immediately corrected and fall back to an average of US\$28-US\$30 per barrel. -- BERNAMA

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