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# Well-Oiled

**THE CONSENSUS FORECAST** of 14 securities houses on Malaysia's growth for 2003 is, surprisingly, on the low side—it is estimated at 3.9%.

Surprising, because Prime Minister Mahathir Mohamad had said recently that second-quarter growth, adjusted for inflation, would "be around 4.5%." The official figure will not be released until August 27, but Mahathir's statement indicated that growth had been relatively robust during a period troubled by the outbreak of Severe Acute Respiratory Syndrome, or Sars.

Growth of 4.5% for the full year seems eminently reasonable, given the containment of Sars amid an end-May 7 billion ringgit (\$1.84 billion) economic-stimulus package that's expected to boost growth. In addition, first-quarter growth clocked in at 4%.

In the first half of the year, 8.1 billion ringgit of new invest-

ment was approved. That's 58% higher than for the corresponding period last year. Exports rose almost 7% while the trade surplus reached 36.6 billion ringgit. Plus, the stockmarket is up 16% since January. All that has helped boost the country's reserves to more than \$38 billion, a seven-year high.

Inflation is benign (1.2% in June), while there is relatively full employment—the jobless figure is 3.2%. Interest rates are low and trending lower after the bank rate was cut by 50 basis points by the central bank in late May. Three-month money now fetches 2.9%, a 10-year low.

The country is also incredibly lucky. Late last year, independent United States contractor Murphy Oil struck oil in deep waters off Malaysia's easternmost state, Sabah. The find is estimated to hold up to 700 million barrels of recoverable reserve, about 22% of Malaysia's current reserves, and is expected to prompt more exploration activity in the so-called Baram Delta, the deep waters off northern Borneo.

Oil and gas will be a key driver for the Malaysian economy in the next five years. Lim Beng Liong, the Kuala Lumpur-based research head for Singapore brokerage UOBKayHian, estimates that between 38.7 billion ringgit and 50.1 billion ringgit in contracts will be up for grabs for local and foreign oil-and-gas companies during the next five years.

Oil analysts say that every 2.4 billion ringgit in new oil-and-gas investment can add 0.5 of a percentage point to GDP. Lim says that this year, global oil companies could spend as much as 10 billion ringgit in Malaysia. If he's right, that's another 2 percentage points of GDP. S. JAYASANKARAN

Category	2003	2004	2005
GDP		3.9	5.1
Private consumption		4.0	5.4
Fixed investment		3.7	5.5
Industrial production		4.8	6.5
Current account (\$ billion)		7.2	6.9

Estimates      Forecast      Source: Consensus Economics