

## **Economy expands 4.6 percent in Q1**

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Malaysia's economy grew by 4.6 percent in the first quarter, the central bank said today, slower than expected due to a tepid performance by the manufacturing sector.

The result for the March quarter was sharply lower than the same period a year ago when the economy posted stellar growth of 10.1 percent, and was slightly lower than the fourth quarter 2010 when growth reached 4.8 percent.

"The expansion in domestic demand was supported by higher private sector spending, while external demand (for commodities) also recorded a stronger growth," Bank Negara Malaysia said of the three months to March.

During the period, inflation rose by 2.8 percent year-on-year due to the increase in prices of global commodities and food. Inflation in April stood at 3.2 percent, the highest since March 2009.

The central bank has raised interest rates four times since March 2010 to contain inflation. Malaysia fears inflation could increase further in 2011 to average between 2.5 and 3.5 percent, driven primarily by rising global commodity and energy prices. Inflation stood at 1.7 percent in 2010.

Despite the global challenges, Bank Negara said that "going forward, growth (for 2011) is expected to be sustained."

In March it forecast the economy to expand between 5.0 and 6.0 percent in 2011, spurred largely by strong domestic demand.

The economy grew 7.2 percent last year, but the export-dependent Southeast Asian nation suffered a 1.7 percent contraction in 2009 due to the global slowdown.

Prime Minister Najib Razak has unveiled a series of economic reforms since taking power in 2009, aimed at creating 3.3 million jobs and pushing Malaysia towards developed nation status by 2020.

He has promised major infrastructure projects and financial market liberalisation, aimed at stimulating the private sector attracting much-needed foreign investment, but critics say that results have been limited.

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