

M'sia's GDP unexpectedly grows 5.8pct last quarter

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Malaysia's economic growth unexpectedly quickened last quarter, an acceleration that may be short-lived as the government cuts spending and a new consumption tax looms.

Gross domestic product rose 5.8 percent in the three months through December from a year earlier, after climbing 5.6 percent in the third quarter, the central bank said in Kuala Lumpur today. That beat all estimates in a Bloomberg News survey of 22 economists where the median was for a 5 percent increase. The economy grew 6 percent in 2014.

Private consumption and investment have supported expansion in the Southeast Asian nation, even as the commodity producer's exports ease. Crude prices at half the level of a year ago is curbing revenue and forcing the government to cut spending as Prime Minister Najib Abdul Razak announced in January growth may be slower than initially estimated in 2015.

"The momentum is likely to slow as a result of the cut in the government's expenditure," Ho Woei Chen, an economist at United Overseas Bank Ltd in Singapore, said before the announcement.

The currency has fallen about 3.5 percent against the US dollar this year, among the worst performers among major Asian currencies tracked by Bloomberg. The ringgit slid to 3.6375 on Jan. 29, the weakest level since April 2009, data compiled by Bloomberg show.

The economy is projected to expand 4.5 percent to 5.5 percent this year, Najib said on Jan 20, compared with an earlier forecast of as much as 6 percent growth. The central bank left its benchmark interest rate unchanged for a third straight meeting in January.

Inflation this year will be between 2.5 percent and 3.5 percent, central bank governor Zeti Akhtar Aziz said last month. The government in October projected consumer price gains to average 4 percent to 5 percent this year.

While a new consumption tax of 6 percent is set to start in April, price pressures may be limited as the government yesterday announced lower electricity tariffs from March for businesses and some consumers.

- Bloomberg

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