

## **COMMENT | Malaysia's economy capable of positive growth this year**

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COMMENT | PAS central's economic, real estate and entrepreneur development committee posits that Malaysia's 0.7 percent gross domestic product (GDP) growth registered in the first quarter of this year is reflective of the country's resilience amidst the ongoing Covid-19 pandemic.

Although it is a drastic reduction of pre-pandemic forecasts and is the lowest since 2009, it flies against several recent predictions that the Malaysian economy would actually shrink by up to 1.0 percent.

The relatively modest performance for the first quarter of 2020 is supported by the services and manufacturing sectors, which grew 3.1 percent and 1.5 percent respectively, with other sectors experiencing varying degrees of deficits.

The committee has analysed and simulated the latest figures to project the country's economic performance for the year and anticipates Malaysia's GDP in

2020 to come within the 2.5 percent to 3.0 percent range.

This forecast is supported by developments in several key sectors, which we anticipate will play a major role in the nation's growth, namely services, manufacturing and construction.

Supported by the government's Prihatin Economic Stimulus Package that was announced earlier, the committee is projecting a 5.0 percent to 5.5 percent growth in the services sector this year, with manufacturing coming in at around 3.0 percent and construction contributing an estimated 1.0 percent to the nation's economic growth.

The growth of these key sectors is based on resilient demand that will be able to support the country's growth and be complemented by the Prihatin Package.

On the demand side, we anticipate private sector spending to grow at approximately 8.0 percent, with public sector spending running close at 7.0 percent. The assistance channelled through the Prihatin Package, particularly in the form of direct assistance to the rakyat and the small and medium enterprises sector, will also contribute to strengthening domestic demand.

The recently announced conditional movement control order (CMCO), which

allows for a more flexible and deliberate reopening of the economic sector, also provides much-needed room for economic activities to resume.

The committee agrees with analyst projections of a full economic and value chain recovery by the second half of 2020, with the construction sector - particularly that involving government public infrastructures - being allowed to return to full speed.

As for the labour market, in general, we see it as stable, despite the increase in unemployment rates from 3.2 percent in the fourth quarter 2019 to 3.5 percent in the first quarter 2020, brought about largely by the MCO. We do not view this as worrisome, given that labour supply as a whole increased by 1.6 percent for a total of 15.24 million in the same period.

We are confident that a stable labour market supported by the Prihatin Package will, in general, be able to continue supporting the country's demand.

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