

Q2 GDP to remain strong at 8.5 percent
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AmResearch has forecast Malaysia's second quarter gross domestic product (GDP) to remain strong at 8.5 percent, despite some weaknesses.

The research house recognises the slower growth of 9.4 per cent for the Industrial Production Index in June reported by the Statistics Department as against the consensus estimate of 11.7 percent.

However, manufacturing activity was still stronger in the quarter, posting an increase of 15.6 percent versus 5.3 percent in the first quarter.

"This was in tandem with regional performance, especially with our major trading partners like China and Singapore," AmResearch economist Manokaran Mottain told Bernama today.

Bank Negara Malaysia is expected to announce the second quarter GDP figure next Wednesday. Malaysia's first quarter GDP grew 10.1 percent year-on-year.

Manokaran said growth in the second quarter was mainly driven by buoyant performance in the manufacturing and services sectors.

On the demand side, he said, growth was led by private final consumption, gross fixed capital formation and exports.

He said the manufacturing sector surged to a double-digit growth of 17 percent year-on-year during the quarter, attributable to the strong growth in the sub-sectors of electric and electronic, transport equipment and other manufacturers, non-metallic mineral products, and basic metal and fabricated metal products.

"The services sector sustained its strong growth of 7.2 percent year-on-year this quarter, mainly due to sustained trade related activities and domestic consumption.

"The wholesale and retail trade sub-sector continued to be the main impetus in the services sector, followed by the finance and insurance sub-sector which benefited from the increase in total loans, deposits and insurance premium.

"Growth momentum for the construction sector continued this quarter, registering 8.7 percent and reflecting strong expansion in civil engineering and non-residential subsectors," he said.

AmResearch, a research unit of AmBank Group, also projected the country to be on track to a full-year forecast of 8.0 percent.

Manokaran said that after the first quarter GDP - the strongest expansion in 10 years (+11.7 per cent in first quarter 2000) - set a strong foundation, the second quarter performance "is on track as well to hit the house's forecast of 8.0 percent for the full-year period".

"With a 9.3 percent average estimated growth for the first half of 2010, we believe that even if the economy were to slow down to 6.0 percent, this would lead to a full-year GDP growth of around 8.0 percent for 2010.

"Although, a moderation in growth is imminent in the second half, we do not see a double-dip recession in the region, especially to Malaysia," he added.

- Bernama

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