

Bank Negara sees slight growth increase for 2007
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Malaysia's economy will expand 6.0 percent in 2007, up from last year's 5.9 percent as overall global growth moderates, led by the United States, the central bank said today.

Bank Negara said the 6.0 percent increase would be supported by stronger domestic demand as the government implemented a five-year development blueprint.

"In 2007, the Malaysian economy is expected to remain on a steady growth path ... expanding by 6.0 percent," central bank governor Zeti Akhtar Aziz told reporters on releasing Bank Negara's annual report.

"Underlying growth momentum is supported by the growth in domestic private demand," she said.

Zeti said the US economy was expected to moderate in the first half of the year and that economic expansion across other major regions would sustain global growth at 4.5 percent in 2007, down from 5.0 percent last year.

Analysts said the forecast reflected the central bank's confidence that the projects to be rolled out under the Ninth Malaysian Plan (9MP) would fuel growth for the year.

Head of research at Alliance Bank, Wong Chee Seng, said 6.0 percent growth would only be achieved if the government speedily implemented projects in the development plan.

"They are betting a lot on the 9MP as the prime mover for growth ... but the biggest challenge is for all those projects to be given out and quickly implemented in the first half," Wong said.

Wong, whose firm has a lower 2007 growth target of 5.5 percent, said there was increasing pressure on domestic demand to drive growth amidst moderating global expansion.

Growth in manufacturing, which accounts for a third of the economy, would moderate to 6.6 percent from 7.0 percent in 2006 on an expected softening of the electronics and electrical sector in the first half.

Demands down for computers

There were signs of softening demand for computers and related parts from the United States, Malaysia's single-largest export destination, at the end of 2006, the central bank said in its report.

The services sector is expected to remain strong, growing 6.3 percent in 2007 after 6.5 percent last year.

Private investment should rise to 10.4 percent from 9.7 percent, while public investment was forecast to increase significantly, to 11.4 percent from 6.5 percent in 2006.

Construction was set to turn around after three straight years of negative growth at 3.0

percent, against a contraction of 0.5 percent in 2006, as Malaysia implemented development projects.

Mining would expand 2.8 percent in 2007 after a contraction of 0.2 percent last year, while agriculture would decline sharply to 3.2 percent from 6.4 percent due to the "exceptional dry conditions" brought by the El Nino weather phenomenon, the central bank said.

Average inflation for 2007 was expected to be lower at 2.0 to 2.5 percent compared to 3.6 percent in 2006 due to moderating oil prices.

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