

Malaysian economy grows 5.3pc in Q1

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THE Malaysian economy grew by 5.3 per cent in the first quarter of this year, led by a robust services sector and stronger expansion in the construction sector.

The first-quarter growth, which was slower than 5.7 per cent growth in the fourth quarter of 2006, beat market expectations and a Business Times poll which expected the economy to grow at a slower pace due to the weaker export and manufacturing numbers.

Bank Negara Malaysia Governor Tan Sri Dr Zeti Akhtar Aziz described the health of the economy as "good" and well on track to achieve the six per cent growth forecast for the whole year.

She said private consumption and investment will continue to support domestic demand.

"The services sector expanded at a faster pace of 9.6 per cent,

attributed by the Visit Malaysia Year 2007 campaign and the festive seasons in the first quarter," she said when releasing details of the gross domestic product (GDP) growth in Kuala Lumpur yesterday.

She also expects the services sector to continue to cushion any weaknesses in the manufacturing sector in the second quarter.

"The sub-sectors (in the services sector) will show continued growth particularly the vibrant financial services and new areas of growth emerging in this sector, telecommunications and transportation and consumption related services," she said.

Finance and insurance accelerated to 13.2 and 27.3 per cent respectively.

The construction sector, which saw lacklustre performance in the past three years, grew markedly to rise by four per cent, mostly from the ongoing Ninth Malaysia Plan projects.

During the first quarter, all major sectors registered positive growth except for mining which declined to 8.8 per cent due to lower crude oil prices.

The agriculture sector eased to a growth of two per cent in this quarter compared with 5.1 per cent in the fourth quarter of 2006.

On the slowdown in the manufacturing sector in the first quarter to a 1.7 per cent growth, Zeti said it reflected performance of the electrical and electronic sub sector due to the global downturn.

On the ringgit, Zeti said the currency must reflect the economic fundamentals so as to sustain its continued strength.

"What is important is we have a stable relationship with other currencies in the region than any one particular currency — this is important for us as 60 per cent of Malaysia's trade is with this region," she said.