

# Malaysia's 2006 GDP growth seen beating official forecasts

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■ **By Rupa Damodaran**  
rupabanerji@nstp.com.my

MALAYSIA'S economy is expected to post slower growth in the fourth quarter of last year, but economists are confident full-year growth for 2006 will surpass official forecasts.

"Despite the slower growth in the fourth quarter, the full-year expansion could still beat the official estimate of 5.8 per cent year-on-year," said an economist with AmSecurities.

A Business Times poll of 15 economists across Malaysia and Singapore forecasts the fourth quarter will turn in 5.62 per cent growth, due to the high base effect and moderation in external demand.

Bank Negara Malaysia will be releasing the fourth quarter economic highlights today.

The AmSecurities economist said growth in the manufacturing sector moderated in response to slower exports of electrical and electronic products and amid the prevalence of high stocks.

"Nonetheless, domestic-oriented industries had performed stronger during the quarter, including industries producing construction and building-related materials as well as fabricated metal products," he said. This partially offset the effect of slowing export-oriented industries.

He, however, expects the services sector to have performed stronger during the quarter, driven by the continued expansion in the wholesale and retail trade, hotels and restaurants sector, underpinned by stronger spending from the increasing number

Q4 GDP FORECAST (% year-on-year)	
Action Economics	5.6
AmSecurities	5.6
Aseambankers	5.6
CIMB Investment Bank	5.7
Citigroup	5.9
DBS Bank	5.7
Inter-Pacific Securities	5.9
Kenanga Investment Bank	5.6
MIDF Amanah Investment Bank	5.4
MIMB Investment Bank	5.3
OSK Research	5.9
RHB Research Institute	5.4
Standard Chartered Bank	5.7
TA Securities	5.5
UOB Kay Hian Research	5.5
<b>AVERAGE</b>	<b>5.62</b>

of tourist arrivals and stronger domestic consumer spending.

DBS Bank economist Irvin Seah said growth in the fourth quarter is likely to be supported by an increase in government spending arising from projects coming from Budget 2008 and the Ninth Malaysia Plan.

He also expects consumer spending to be higher, probably due to festive spending as well as a better employment outlook.

"However, net exports may moderate as a result of a softer external demand. In terms of sectors, pockets of growth are expected in industries such as the financial, construction and business services while growth in the manufacturing sector may remain "flattish".