

**Economic growth slows as exports slide**  
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**By Lee Wei Lian**

KUALA LUMPUR, May 23 — Malaysia's economy grew at a slower pace of 4.7 per cent in the first quarter as compared with 5.2 per cent in the previous quarter as global economic conditions continued to be challenging.

The GDP figures, which were released by Bank Negara today, nevertheless came in above analyst expectations of 4.5 per cent as polled by Reuters.

Malaysia's central bank said that the country's growth was sustained by firm domestic demand even as exports suffered from weak external demand.

It added that while the challenging external environment will remain a risk to Malaysia's growth prospects, domestic demand is expected to remain resilient and expanding public and private expenditure are expected to underpin overall growth performance.

First quarter exports contracted the most in nine months, slumping 20.8 per cent as compared with the first quarter of last year.

Consequently, the manufacturing sector's growth moderated to 4.2 per cent as compared with 5.2 per cent in the previous quarter.

Construction sector growth, however, surged 15.5 per cent in the first quarter, double the rate of the previous quarter.

Bank Negara governor Tan Sri Zeti Akhtar Aziz said that the government is maintaining its GDP forecast of between four and five per cent for this year.

She said that if conditions deteriorate, GDP growth could be closer to four per cent and if conditions prevail or improve, it would be closer to five per cent.

She noted, however, that Malaysia enjoyed ample liquidity and a high savings rate which would help cushion it from external shocks.

Zeti said that 96 per cent of the national debt was domestically sourced and external debt constituted only two per cent of GDP.

"We don't have the kind of exposure like other countries," she said.

Zeti added that demand from lending from households remained robust and the current interest rate of three per cent was still supportive of economic growth.

"Unless there is some major development that has catastrophic consequences, then the current interest rate remains," she said.

The country's inflation moderated from 3.2 per cent in the fourth quarter of last year to 2.3 per cent in the first quarter of this year.

The ringgit also strengthened slightly against the US dollar but depreciated against the Singapore dollar and British pound.

The country also recorded net portfolio inflows in the first quarter and Bank Negara said that large and volatile capital flows are expected going forward.

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