

Malaysia's GDP surpasses expectations with 5.4pc growth
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KUALA LUMPUR, Aug 15 — Malaysia's economy grew at a surprising pace of 5.4 per cent in the second quarter, blowing away economist's expectations and potentially giving rise to a feel-good factor ahead of the general elections.

The pace of growth was much higher than the 4.6 per cent average forecast by economists polled by financial newswire Dow Jones and also higher than the 4.9 per cent recorded in the first quarter.

Bank Negara governor Tan Sri Zeti Akhbar Aziz said at a press conference announcing the GDP figures that the robust growth was due to strong domestic demand amid a weaker global economy.

She added that given the country's robust economic performance, the GDP growth for the whole year is expected to come in at the upper end of the four to five per cent official forecast.

Malaysia's GDP growth performance was better than that of Singapore, which recorded a two per cent growth during the second quarter, as well as Japan, which grew 1.4 per cent during the same period.

On a quarter-on-quarter basis, Malaysia's economy grew three per cent from the first quarter, as compared to Singapore, which contracted 0.7 per cent, and Japan, which grew 0.3 per cent.

"The higher growth is due to stronger expansion of domestic demand and private and public spending increased significantly," said Zeti.

Domestic demand grew 13.8 per cent in the second quarter as compared to 9.7 per cent in the first.

Private sector consumption grew 8.8 per cent during the second quarter while public sector consumption grew 9.4 per cent.

Gross fixed capital formation grew 24.6 per cent for the private sector and expanded 28.9 per cent for the public sector.

Zeti said that the pick-up in gross fixed capital formation was "what we wanted to happen to sustain growth".

She noted that several large civil engineering projects also were underway currently that would help support economic growth.

These include the RM4.6 billion Sabah-Sarawak gas pipeline project, the RM7.7 billion LRT extension project and the RM5 billion Janamanjung power plant.

Foreign direct investment (FDI) fell from RM7.5 billion in the first quarter to RM6.1 billion while direct investment abroad by Malaysian companies also fell from RM16.9 billion to RM2.5 billion.

Inflation, meanwhile, fell from almost 2.5 per cent in the first quarter to about 1.7 per cent in the second quarter.

Zeti said that current interest rates remained supportive of economic growth but the central bank had the flexibility to reduce rates should global economic conditions worsen significantly.

She said that household debt was up slightly to 75.7 per cent of GDP in the second quarter from about 74 per cent last year but noted that non-performing loans constituted only 1.6 per cent of the total.

The central bank governor added that while new guidelines were introduced in January to promote responsible lending, all credit-worthy individuals who deserved the right to borrow could secure a loan.

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