

Malaysia To Enjoy Continued Growth Aided By Domestic Demand And Investment Bernama

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KUALA LUMPUR, Dec 28 (Bernama) -- Despite the unfriendly external environment, economists are confident that Malaysia will enjoy continued economic growth next year, bolstered by robust domestic demand and investment.

While some may expect a moderate growth compared with 2012, the expansion in domestic demand, supported by private sector spending is expected to offset weak export growth and help the country significantly reduce the budget deficit.

More inflow of income from the construction, tourism, services and, oil & gas sectors are also expected.

The country is moving towards achieving an economic growth of more than five per cent in 2013, after recording impressive Gross Domestic Product (GDP) growth of 4.7 per cent in the first quarter, 5.6 per cent in the second quarter and 5.2 per cent in the third quarter.

Malaysia's economic growth projection for next year is pegged between 4.5 per cent and 5.5 per cent, albeit the challenging global economy.

Among those optimistic the target can be reached is RAM Holdings Bhd which is maintaining Malaysia's GDP forecast at 5.3 per cent for next year given the positive double-digit growth in private investment in the first three quarters of 2012.

Group Chief Economist Dr Yeah Kim Leng said if the government can sustain private investment growth, which was more than 20 per cent in the first three quarters of 2012, than economic growth would likely be maintained at above five per cent next year.

"Our domestic demand growth strategy has to encourage and promote confidence in the private sector and create a business environment that encourages them to invest locally," Yeah said.

JPMorgan Securities (Malaysia) Sdn Bhd, on the other hand, expects Malaysia's GDP to grow at 5.2 per cent this year and 4.5 per cent in 2013, saying the country looked interesting from a regional point of view due to its defensiveness and domestic-led growth.

Its Equity Research Executive Director, Mak Hoy Kit, said for next year, the key sectors would be oil and gas, healthcare, real estate investment trust, media and aviation, especially low-cost carriers.

With an almost similar target, Singapore-based Spire Research and Consulting Pte Ltd said the Malaysian economy had the potential to expand beyond the government's target of between 4.5 per cent and 5.5 per cent next year.

Chief Executive Officer Leon Perera said improving global economic environment, growing consumer confidence in Malaysia, as well as, the government's prudent fiscal control were among the main contributing factors.

Perera said government efforts to improve the economy through various initiatives such as the Economic Transformation Programme and Government Transformation Programme would be

supported through measures announced in the 2013 Budget.

Meanwhile, Douglas McWilliams, Chief Economic Advisor, Institute of Chartered Accountants in England and Wales, took a modest approach, forecasting GDP growth for Malaysia for next year at 3.8 per cent.

"Our forecast for 2013 is not much lower than 5.0 per cent, (but) because the first number is three, psychologically it looks the gap is much more wider, in fact it is just a 1.2 per cent lower than the government's forecast.

"We're forecasting a world GDP growth of about 3.8 per cent and Asean to grow 3.5 per cent, and that is a pretty good result," he added.

The Europe-based professional accountancy body expects post-election government spending in Malaysia to grow more slowly.

"Spending cycle around the world and, in most countries, public spending tends to go more rapidly in the year before the election compared to the year after election. We expect to see an expansion of government spending, but public spending to level off after that," he said.

In being competitive, McWilliams said the Malaysian government has commendable and sensible policies.

"There are two strands of the government policies which is to move into market-based pricing, and the second is improving skills.

"When the International Monetary Fund (IMF) looks at the plans, and they are complimentary about them, my views are the same as the IMF's that this is the right thing to do," he said.

Globally, McWilliams said China would probably have it good in 2013 while the US has to have fiscal consolidation".

"Europe is still in recession and showing no signs of coming out of it, so that is likely to be negative and the rest of the world has got to live with that," he added.

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