

Bank Negara sees slower growth in 2015, sliding oil prices a risk
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Malaysia's economy is expected to expand 4.5 to 5.5% this year as strong domestic demand and resilient exports will anchor growth, although the risks of declining oil prices affecting its outlook linger, the central bank said on Wednesday.

Southeast Asia's second-largest oil and natural gas producer has seen slumping global energy prices hit revenue, putting pressure on the country's fiscal position and knocking the ringgit to a six-year low.

Problems stemming from a heavily-indebted investment fund, 1Malaysia Development Bhd and the prospect of the first rise in U.S. interest rates in almost a decade, have also added to the risk of a sovereign downgrade and capital outflows.

Bank Negara, in its annual outlook, said growth would be supported by sustained expansion in services, manufacturing and construction sectors, broadening of the government's revenue base and from managing expenditure.

The central bank in November forecast 2015 economic growth at between 5-6%.

Household spending is likely to be affected by the implementation of the Goods and Services Tax (GST) in April, but will be offset by government measures to assist targeted income groups and favourable labour markets, the central bank said.

Inflation is projected to remain relatively stable at an average of 2-3% this year due mainly to lower energy and food prices, Bank Negara said, though the inflation trend would be affected by fluctuating oil prices.

"Despite external shocks, growth (is) to remain on a steady trajectory amid strong underlying fundamentals," central bank Governor Zeti Akhar Aziz told a news conference.

The central bank said in a separate statement it had appointed two external members to its monetary policy committee. This is the first time external members have been appointed to the committee.

Exports to slow

Malaysia's export growth is expected to slow sharply to 1.5% this year from 6.4% last year, hit by softer commodity prices, Bank Negara said.

Imports will accelerate to 6% in 2015 against 5.3% last year, as manufacturers buy more parts and materials to meet improved global demand, it said. A steady inflow of new large private projects and strong domestic demand are expected to drive growth in imports.

With imports increasing at a faster pace than exports, the trade balance is set to narrow to RM53.6 billion this year from RM83.1 billion last year, Bank Negara said.

But it will remain in surplus, supported by the improvement in manufactured exports and commodities, it added.

The current account surplus in 2015 is seen at RM21.4 billion versus RM49.5 billion last year, Bank Negara said. – Reuters, March 11, 2015.

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