

IMF: Malaysian economy to grow 4.5pc in 2017

Malay Mail Online

December 15, 2016

The IMF says Malaysia has performed well 'despite significant headwinds' stemming from structurally weak growth in developed and emerging markets.

KUALA LUMPUR, Dec 15 — Malaysia's economy is seen growing at 4.5 per cent in 2017 on strong private consumption but will continue to suffer from weak commodity prices and slowing private investment, the International Monetary Fund (IMF) said today.

The Southeast Asian economy has been buffeted by poor demand for its exports of commodities and liquefied natural gas over the past year. In January, the government cut spending and revised its 2016 growth forecast down to 4.0-4.5 per cent from 4.0-5.0 per cent in January.

"While the Malaysian economy has adjusted well to lower global oil prices, sustained low commodity prices add to the challenges of fiscal consolidation," said IMF's Daisaku Kihara, who led a two-week consultation mission to Malaysia in early December.

While Malaysia is a marginal oil exporter, it is the world's third largest exporter of LNG, contract prices for which are linked to crude prices.

"Heightened global financial stress could potentially spill over to domestic markets," Kihara said in a statement.

The IMF says Malaysia has performed well "despite significant headwinds" stemming from structurally weak growth in developed and emerging markets, and expects 2016 growth to come in at 4.2 per cent aided by a diversified economy and a flexible exchange rate.

Medium term growth is seen at 4.5 to 5.0 per cent.

Malaysia's ringgit, however, has been Asia's worst performing currency in recent weeks, at one point losing nearly 7 per cent against the dollar following Donald Trump's US presidential election win on Nov. 8.

To stem the decline, Malaysia's central bank stepped in and warned of "prompt supervisory intervention" against any individuals or banks engaged in ringgit trade in the offshore non-deliverable forwards (NDF) market.

IMF's Kihara says the current monetary policy "is appropriate in the baseline scenario of moderate growth, low inflation, and external uncertainties", but stressed the need for careful calibration to support growth while maintaining financial stability.

Kihara says Malaysia has made "significant progress" towards its goal of achieving high-income status, which need continued efforts towards structural reforms to boost longer-term economic growth.

But Malaysia will need to keep an eye on its “relatively high” household debt, and stay on track on its fiscal consolidation drive and goal of slashing its budget deficit to 3.0 per cent in 2017, Kihara added. — Reuters

Copyright © 2016 Malay Mail Online

Sources: <http://www.themalaymailonline.com/malaysia/article/imf-malaysian-economy-to-grow-4.5pc-in-2017>