

Q1 PERFORMANCE REPORT

# GROWTH MAY ACCELERATE IN H2

Lower key rate and revival of mega projects set to lend support to economy, say economists

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**M**ALAYSIA'S economy will likely grow faster in the second half, supported by a lower Overnight Policy Rate (OPR) and the government's revival of mega projects, say economists.

The country's gross domestic product (GDP) expanded at a slower pace of 4.5 per cent in the first quarter compared with 4.7 per cent in the final quarter of

last year.

However, the first-quarter growth was faster than analysts' consensus estimate.

According to a Bloomberg survey, analysts had expected the country's first quarter GDP growth to be around 4.3 per cent, the lowest in nearly three years.

Bank Islam Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid said the OPR cut by Bank Negara Malaysia last week and the revival of East Coast Rail Link and Bandar Malaysia projects would help support growth.

"We could see some support to growth in the second half. We are still maintaining our 2019 GDP growth forecast of 4.5 per cent.

"This is premised on greater uncertainty in the external economy," he said.

Putra Business School associate professor Dr Ahmed Razman Abdul Latiff said mega projects would contribute to the GDP growth.

He expected private consumption and government spending to remain the main contributors to growth.

On the country's first-quarter performance, Razman said the economy had been growing at an

average of 4.79 per cent since 2000.

Afzanizam said weak business sentiments, as indicated by the recent fall in Business Condition Index, might have contributed to

lethargic growth in private investments in the first quarter.

"We could see that there is a dichotomy between Consumer Sentiment Index, which has remained below 100 points for

few quarters, and the actual spending among consumers, which is still fairly decent.

"It remains to be seen whether consumer spending will continue to be the key pillar for growth

going forward," he added.

At the same time, Afzanizam said public sector spending, especially public investments, had been very weak as the government remained guarded on its expenditure plans.

Malaysia's real exports growth was also weak, in tandem with the prevailing global economic condition, following uncertainty arising from United States-China trade tensions and volatile commodity prices, he added.

Meanwhile, MIDF Research said the country's current account surplus was at a five-year high of RM16.4 billion in the first quarter, the largest reading since the first quarter of 2014.

This was contributed by a remarkable trade surplus of RM36.9 billion.

## INFO BOX

4.5%

Malaysia's GDP growth in Q1 2019