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Malaysia's 2019 GDP set to grow at 4.9% — StanChart Research

BY GIGI CHUA

KUALA LUMPUR: Malaysia's 2019 gross domestic product (GDP) is set to grow at 4.9% with private consumption remaining as the main growth pillar, said Standard Chartered Research.

In a note yesterday, the research firm said it sees two one-off supportive factors despite a cautious view on growth beyond the consumer sector due to weak external demand.

"First, goods and services tax and income tax refunds amounting to RM37 billion [which is approximately 2.5% of GDP] may support spending. However, these refunds have not been disbursed yet, [thus] posing downside risk to our growth forecast.

"Second, the resumption of production capacity in the mining sector may also help," it said.

Meanwhile, StanChart Research said fourth quarter (4Q) GDP - which will be released by the Department of Statistics on Feb 14 - is projected at 4.4%, which is similar to 3Q.

As a result, 2018 GDP growth may come in at 4.6% year-on-year, lower than 5.9% in 2017, it said.

"Private consumption was the main growth driver in 2018, accounting for 92% of GDP growth in cumulative nine months of 2018 (9M2018) versus 64% in [the previous year], benefitting from the 'tax-holiday' boost and strong labour market conditions.

"Meanwhile, private investment eased (primarily on low-

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er investment in residential and commercial properties in the first quarter) and public investment extended its decline in 9M2018," it said.

The research firm maintained its "neutral" stance, but said the risk scenario is biased towards the downside.

"Our GDP growth tracker suggests downside risk to our 4Q GDP growth forecast, with our tracker being reliant on more readily-available externally-driven activity data, such as IP (intellectual property), and less reflective of strong domestic consumption," it added.

On monetary policy, StanChart Research said the latest Monetary Policy Committee meeting in January suggested the committee is more dovish on the global outlook but still comfortable on domestic growth, underpinned by private consumption and private investment.

"We maintain our call for Bank Negara Malaysia to keep rates on hold in 2019, with risks skewed towards a cut, especially if external demand worsens further and affects domestic activity," it added.