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Softer GDP growth expected this year

MODERATE OUTLOOK

SOFTER GDP GROWTH EXPECTED THIS YEAR

It is due to deceleration in external trade performance, says MIDF Research

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MALAYSIA should see its economy moderating this year after outpacing its Southeast Asian peers with a gross domestic product (GDP) growth of 8.7 per cent last year.

Analysts cited softer external trade and tightening monetary policy in many economies as key factors for the moderate outlook this year.

Malaysia's GDP grew the fastest in the region, beating the 5.4 per cent projected by the International Monetary Fund and 7.8 per cent by the World Bank.

"It came above our estimate of

8.6 per cent and the official (Bank Negara Malaysia) forecast of 6.5-7.0 per cent," UOB economists Julia Goh and Loke Siew Ting said in a note.

Malaysia's performance was ahead of Vietnam (8.0 per cent), the Philippines (7.6 per cent), Indonesia (5.3 per cent), and Singapore (3.8 per cent), they said.

Analysts at MIDF Research said Malaysia's GDP growth of 7.0 per cent in the fourth quarter of last year met consensus expectations.

It was better than the firm's estimate, driven by the strength in domestic demand and higher contribution from net exports.

MIDF Research expects Malaysia's GDP growth to moderate to 4.2 per cent in 2023, con-



Malaysia's economic expansion of 8.7 per cent last year beat the projections of the International Monetary Fund and World Bank. PIC BY ASYRAF HAMZAH

sidering external headwinds and tightening monetary policy in many economies.

"The softer growth is mainly due to deceleration in external trade performance, taking into account the anticipated slowdown in global demand.

"We see a global economic slowdown rather than a recession for 2023," it added.

MIDF Research said economic activities in most countries had slowed in the fourth quarter, affected by the lockdowns in China, weaker global production activities and concerns over high inflation.

The US economy further grew 2.9 per cent quarter-on-quarter on annualised basis even after the aggressive rate hike by the US

Federal Reserve last year, but the year-on-year growth was more moderate at one per cent.

China's fourth quarter growth slowed to 2.9 per cent year-on-year as spending and business activities were constrained by strict Covid-19 lockdowns.

The euro area also recorded a slower growth of 1.9 per cent, albeit slightly better than market consensus.

In Asia, MIDF Research said domestic-driven economies like the Philippines and Indonesia had seen slower growth.

It said GDP growth was more moderate in Malaysia, Singapore and South Korea, and was negative in Taiwan as a result of weaker regional production and trade activities.

"We reckon the growth momentum would improve this year as China reopens. Nevertheless, these trading nations are also exposed to softer demand outlook."

UOB has kept its view for one more hike of 25 basis points in the Overnight Policy Rate in May, bringing the key rate to three per cent.

"The latest global developments and data suggest that many central banks are nearing the end of their rate hike cycle.

"Two key inflation risks to watch include the impact of China's reopening on domestic inflation pressures, and the extent of potential changes to subsidies and price controls that could elevate the overall cost of living," it added.