

KERATAN AKHBAR

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GDP growth for 2023 revised higher to 4.6%

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Country to maintain resilient domestic demand

ECONOMY

PETALING JAYA: An uneven global economic slowdown is seen in the second half of 2023 (2H23) with a recession in the United States likely in the fourth quarter (4Q23), according to CGS-CIMB Research.

It expects China to see a soft rebound, while the European Union may fare better than previously expected although Germany had already fallen into recession in 1Q23.

In this region, the research firm said that Malaysia, Indonesia, Singapore and Thailand have experienced a slowdown on the external side since 4Q22, in line with the moderation in global demand.

However, it notes that the domestic sector of these countries appear to be resilient, while Chinese tourists are returning, albeit gradually.

As for Malaysia, CGS-CIMB Research said it has now raised its 2023 growth projection to 4.6% year-on-year (y-o-y), from 4.4% previously, to reflect the strength in the country's 1Q23 gross domestic product (GDP), as well as resilient domestic demand ahead.

Malaysia's economy grew 5.6% in 1Q23, outperforming economists' expectations where a median forecast of 21 economists polled by *Reuters* had pointed to growth of 4.8%, down from a revised 7.1% in 4Q22.

"The further revival of tourism-related sectors and improvement in the labour market are keys in driving the economy.

"With the strong 1Q23 growth numbers, we anticipate 1H23 growth to be higher at 5.2% y-o-y (versus our previous estimate of

"Improving income growth following the government's efforts to increase disposable income under the revised Budget 2023 will continue to support spending."

CGS-CIMB Research

4.4%) and to trail softer in 2H23," CGS-CIMB Research said in an economic report.

According to the research firm, improving income growth following the government's efforts to increase disposable income under the revised Budget 2023 will continue to support spending.

Towards this end, CGS-CIMB Research now expects private consumption growth to expand slightly higher in 2023 by 6.7% compared with 6.5% previously.

"For tourism, the government is targeting 16.1 million foreign tourists this year (60% higher than 2022), with RM49.2bil in tourism receipts.

"The reopening of China has already led to an influx of 178,000 tourists in 1Q23 (versus 104,000 in 4Q22), with a potential to recover to the pre-pandemic level of 3.1 million by early-FY24," it added.

It noted Malaysia's latest employment data signalled encouraging growth in the market, with a higher 68.9% labour participation rate in 1Q23 versus 68% in 1Q22.

The research firm also expects investments to grow by 4% y-o-y in 2023 backed by the large development expenditure at

RM97bil, which will have a positive impact on investment activity.

However, it expects exports to remain weak due to the high base effects and weakening prospects for demand ahead, after the slow performance in 1Q23.

"We revise our projection on real export growth to contract by 7.8% y-o-y in FY23 (versus a 5.8% growth in our previous forecast).

"Manufacturing exports have shown two consecutive months of negative growth y-o-y, with the possibility of more declines ahead, after the strong double-digit growth recorded in 2022.

"Higher cost of living, lower inventory preference by firms, as well consumer preference for spending on services post-pandemic are some of the key restraints in propelling goods demand," said CGS-CIMB Research.

With the goods account surplus expected to narrow further amid slowing demand from major trading partners, the research firm has also revised its current account forecast to come in lower at 1.6% of FY23 GDP as compared to its previous forecast of 2.1%.