

Growth slows as GST weighs on spending

KUALA LUMPUR — Malaysia's economy expanded at the slowest pace in more than two years as private consumption eased, adding pressure on policy makers to bolster growth and boost confidence.

Gross domestic product rose 4.7 per cent in the three months through September from a year earlier, after climbing 4.9 per cent in the previous quarter, Bank Negara Malaysia (BNM) said yesterday. That matched the median estimate in a *Bloomberg News* survey.

Prime Minister Datuk Seri Najib Razak is counting on domestic demand to shore up a cooling economy as faltering global growth led the government to project it will miss its trade target this year. Private spending is also moderating as Malaysians faced the introduction of the Goods and Services Tax (GST) in April and rising costs, pushing consumer sentiment to below global financial crisis lows.

"Growth should pick up in the final quarter as domestic demand and export growth strengthen," Emily Dabbs, an economist at Moody's Analytics in Australia, said before the announcement.

The ringgit fell 0.2 per cent to 4.37 per dollar as at 11.51am yesterday.

While it recovered alongside emerging market currencies last month, it is still down about 20 per cent this year, the worst performer in the Asia Pacific region. Global funds have pulled about RM33.6 billion from Malaysian stocks and debt this year. The central bank kept interest rates unchanged for an eighth meeting this month, even as Malaysia's biggest trading partners, China and Singapore, eased monetary policy in recent weeks.

GDP is forecast by the government to increase from 4 per cent to 5 per cent next year, compared with an expansion of as much as 5.5 per cent this year. Inflation is projected to rise 2 per cent to 3 per cent next year, compared with 2 per cent to 2.5 per cent this year. The economy is expected to remain resilient amid an increasingly changing environment, BNM Governor Tan Sri Zeti Akhtar Aziz said. — Bloomberg