

Malaysia's economy to slightly improve in 2017

By Hakim Hassan
hakim@mmail.com.my

KUALA LUMPUR — Analysts are positive the Malaysian economy will recover next year with oil prices stabilising and government spending identified as the contributing factors for the recovery of the nation's economy.

Kenanga vice president for investments Christopher Kok said that despite the country experiencing decelerating growth in terms of gross domestic product (GDP) since 2014, the trend will change next year — stating that next year's GDP growth will be around 4.4%.

"It will be a slight change from this year as the commodity rebound would help the GDP to grow, with the oil prices stabilising thanks to the decision made by Opec (the Organization of Petroleum Exporting Countries) to have more disciplined in oil production," said Kok.

Better crude palm oil production, which was affected by the bad weather in the early

half of the year, will also contribute to the growth, he said.

"These would improve the GDP, and government spending in terms of infrastructure projects such as LRT2, and also the newly proposed East Coast Rail Line, will also assist the economy," he said during the market outlook press conference hosted iFast Capital Sdn Bhd on Wednesday.

Kok also said that with the government reducing its dependency from oil as the source of income, the manufacturing sector — mainly the semiconductor and electronics industries — would be one of the key contributors towards the country's growth.

"I think in the future, the manufacturing segment would still remain favourable, especially in terms of industries such as semiconductor and electronics manufacturing.

"We see that it is growing especially on the small and medium enterprise side where there are more companies involved in the sector.

"As time goes on, we expect to see these companies grow and eventually being able

to export more electronic products, which would eventually have a positive impact on the nation's economy and might result in reducing dependency on commodities," he said.

FundsUPERMART's senior research analyst Lee Tien Xiang sees more growth in Asia and the emerging markets, as commodity prices have bottomed out at the beginning of the year and has rebounded substantially since then.

"Countries which rely heavily on commodity exports would benefit from a rebound in commodity prices.

"The earnings for these markets will be revised upward and they are likely to reap huge rewards from the trend," he said.

He said based on statistics as of June 2016, an upward revision in earnings is seen for emerging markets as countries such as Indonesia, which have turned positive for the quarter.

Lee said that coupled with reasonable levels of earnings forecasted, the investment research house projects that Asian equities will offer a 40% upside by the end of 2018.