

Malaysia's GDP up 4.5% in Q4 last year

> Private sector expenditure continued to help economy grow, with private consumption rising 6.2%, and private investment 4.9% in final quarter

KUALA LUMPUR: The Malaysian economy grew 4.5% in the fourth quarter of 2016 (4Q16), underpinned by continued expansion in private sector expenditure, according to Bank Negara Malaysia (BNM).

This brings full-year economic growth – as measured by gross domestic product (GDP) – to 4.2%, lower than the 5.0% posted in 2015. GDP grew 4.3% in the third quarter of last year and 4.5% in the final three months of 2015.

On the supply side, growth continued to be driven by the manufacturing and services sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a sustained growth of 1.4%.

"Overall, domestic demand expanded at a more moderate pace, as the improvement in private consumption and investment activity was more than offset by the decline in public expenditure," said BNM.

In the fourth quarter, private consumption grew by 6.2%, supported by continued wage and employment growth. Private investment registered a

growth of 4.9%, following continued capital spending in the services and manufacturing sectors. Public consumption declined by 4.2% arising from the rationalisation of spending on supplies and services and a moderation in the growth of spending on emoluments.

On the external front, net exports contributed positively to growth as real exports expanded faster than real imports.

Inflation, as measured by the annual change in the Consumer Price Index (CPI), increased to 1.7% in the fourth quarter of 2016 driven mainly by upward adjustments to domestic fuel prices during the quarter.

In 4Q 2016, the current account surplus widened, due mainly to a higher trade surplus and narrower deficits in the income accounts. As at Jan 31, 2017, the reserves position amounted to US\$95 billion (RM426 billion).

"The international reserves remain ample to facilitate international transactions. They are sufficient to finance 8.6 months of retained imports, significantly higher than the three-month international threshold. The

reserves level is also adequate to meet external obligations given the reserves to short-term external debt coverage of 1.1 times," said BNM.

The Monetary Policy Committee maintained the Overnight Policy Rate at 3.00% during the fourth quarter of 2016. Monetary conditions remained supportive of economic activity.

Looking ahead, BNM said the global economy is expected to improve but remain on a moderate growth path. While there are indications of more sustained growth in the major economies in 2017, downside risks to global growth continue to prevail, arising from the volatility in commodity prices, policy uncertainties and growth prospects of the major developed economies, heightened risk aversions in the global financial markets as well as geopolitical developments.

"While the external environment may continue to remain challenging, the Malaysian economy will experience sustained growth with the primary driver being domestic demand.

"Private consumption is anticipated to remain supported by wage and employment growth, with additional impetus coming from announced government measures to support disposable income of households."