The Sundaily - Economy To Grow 4.3% - 4.8% This Year

Friday, Mar 24 2017

24/3

Economy to grow 4.3%-4.8% this year

> Domestic demand growth will be driven by private sector activity

BY **LEE WENG KHUEN**
sunbiz@thesundaily.com

ZULKIFI ERSAL /THESUN

Muhammad displaying a copy of the Bank Negara Malaysia Annual Report 2016 yesterday.

KUALA LUMPUR: Malaysia's economy is expected to grow by 4.3% to 4.8% in 2017, with domestic demand as the main driver of growth underpinned by private sector activity.

Speaking at a media briefing yesterday in conjunction with the release of the Bank Negara Annual Report 2016, governor Datuk Muhammad Ibrahim said growth will also be supported by the expansion in global growth and trade.

The country's economy expanded 4.2% last year.

With better global growth, he expects net exports to turnaround to 5.3% growth in 2017 from -1.8% in 2016.

Private investment is expected to register moderate growth of 4.1% in 2017 as firms are seen to remain cautious amid uncertainties in the economic environment.

However, private investment will continue to be supported by the implementation of ongoing and new projects, particularly in the manufacturing and services sectors.

Private consumption is projected to increase 6% this year, on the back of continued employment and income growth.

Meanwhile, public consumption is expected to register a marginal drop of 0.2% as the government continues to reprioritise spending and reduce non-critical expenditure.

Public investment is projected to expand 1.5% on the back of higher capital expenditure by the government and public corporations.

While the current account is narrowing, Muhammad believes that Malaysia will continue to register a current account surplus in view of global growth of 3.4%.

"Malaysia should benefit from global growth. If you look at the January and February exports, it was more than what we had expected," he said.

Bank Negara's assumption for Brent crude oil prices is US$50 to US$55 (RM222 to RM244) per barrel, and crude palm oil prices at RM2,700 per tonne.

Headline inflation is expected to hover between 3% and 4% in 2017, reflecting primarily the pass-through impact of the increase in global oil prices and domestic retail fuel prices.

"It is cost driven, not demand driven. In some months, you might see inflation to be above 4%. But towards the second half of the year, we expect it will start moderating," Muhammad explained.

The fiscal deficit is expected to narrow further to 3% of gross domestic product in 2017, underpinned by sustained growth in revenue and a marginal expansion in operating expenditure.

On monetary policy, he said changes will only be made if there is any adverse development in the monetary front and financial imbalances. Bank Negara's Overnight Policy Rate is currently at 3%.

MORE REPORTS: PAGE 21 ▶