

## 2023 OUTLOOK

# '4-5PC GDP GROWTH WITHIN REACH'

Strong domestic demand to remain key driver

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**F**IVE out of seven economists believe that the economy is on track to achieve between four and five per cent growth this year.

This follows the stronger-than-expected 3.3 per cent gross domestic product (GDP) growth in the third quarter that pushed the nine-month performance to 3.9 per cent.

The 3.3 per cent growth is in line with the Statistics Department's advanced data release and higher than the preceding quarter's 2.9 per cent expansion. It was mainly supported by resilient domestic demand as exports remained soft amid prolonged external weakness.

Household spending was supported by continued growth in employment and wages while investment activity was underpinned by the progress of multi-year projects and capacity expansion by firms.

Sunway University economics professor Dr Yeah Kim Leng said the GDP growth uptick eased fears of further slides in the domestic economy due to global headwinds.

"The projected four to five per cent GDP growth for the year is, therefore, within reach, although it appears to be lower than the country's potential growth of 4.5 to 5.5 per cent."

"The higher quarter-to-quarter growth also suggests a stronger growth momentum that is expected to continue



Bank Negara Malaysia governor Datuk Shukri Hashim (right) and Statistics Department chief statistician Datuk Seri Dr Mohd Uzir Mahidin at the third quarter gross domestic product growth announcement yesterday. PIC BY ROHANIS SHUKRI

into the next quarter," said Yeah.

Putra Business School economic analyst Assoc Prof Dr Ahmed Razman Abdul Latiff said the third-quarter performance was boosted by domestic consumption and supported by rising employment.

He said the weaker ringgit attracted more foreign tourists, which boosted spending in the domestic market.

"It is possible to achieve the growth target if the fourth quarter posts a four per cent expansion," he said.

Bank Muamalat Malaysia Bhd chief

economist and social finance head Dr Mohd Afzanizam Abdul Rashid believes that the economy has more room to grow.

He said tourist arrivals had yet to reach the pre-Covid-19 pandemic level in 2019 while the technology sector was expected to improve further next year.

"I think the four to five per cent target is attainable, although it may be at the low end of the projection due to the external uncertainties."

Universiti Tunku Abdul Rahman economics professor Wong Chin-Yong said

the GDP growth would be supported by strong domestic demand, more stimulus packages and better export numbers.

"I believe that it will be in the four to five per cent range but we need to wait for the October and November data to come out to see if it is at the higher or lower end," said Wong.

Universiti Kuala Lumpur Business School economic analyst Assoc Prof Aimi Zulhazmi Abdul Rashid said the fourth quarter's GDP growth would be significantly driven by the country's healthy domestic economy and strong fundamentals, and the financial system's good liquidity.

He said if the manufacturing and mining as well as oil and gas segments maintained similar growth in the fourth quarter, or only marginal changes compared with the same period last year, the economy would likely record a four per cent growth this year.

Meanwhile, Malaysia University of Science and Technology economist Dr Geoffrey Williams said the economy was likely to chart a full-year growth of about 3.7 per cent instead.

"The annual GDP growth is 3.9 per cent so far this year and it will have to grow by 4.4 per cent in the fourth quarter to be

within the four to five per cent growth target.

"It is likely that the full-year growth will be around 3.7 per cent."

Singapore Institute of International Affairs senior fellow Dr Oh Ee Sun also chose to err on the side of caution, highlighting Bank Negara's cautionary statement on the "shaky" external environment.

"It remains to be seen whether we can sustain this level of growth. I believe that the growth projection will likely have to be revised down to three to four per cent or even two to three per cent," he added.

