

## Malaysia's economy to recover gradually in second half 2016

**KUALA LUMPUR:** Malaysia's economy is expected to recover gradually in the second half of 2016 on the back of mega infrastructure capital spending and the government's growth stabilisation measures.

In a statement yesterday, United Overseas Bank (Malaysia) Bhd Economist Julia Goh said the key stabilisation measures, including a three per cent cut in the Employees' Provident Fund contribution rate and one per cent corporate tax cut, could boost nominal Gross Domestic Product (GDP) by at least one per cent.

"As such, we continue to project GDP growth of 4.2 per cent this year with an average of four per cent growth in the first half of 2016 and 4.4 per cent in the second half of 2016," she said.

Goh said key infrastructure projects such as the MRT Sungai Buloh-Serdang-Putrajaya Line, Light Rail Transit 3, Pan-Borneo Highway, KL-Singapore High Speed Rail and Pengerang Integrated Petroleum Complex would continue to contribute to the country's economic growth.

"Despite sustaining four quarters of slowing growth, Malaysia's economy continues to display an underlying resilience supported by its high labour force participation rate and positive employment growth," she said.

In addition, Goh said fiscal reform measures such as the introduction of the Goods and Services Tax and subsidy rationalisation had also helped to cap the fiscal deficit.

She said economic diversification had seen Malaysia reducing its

dependence on oil revenue with share of oil revenue projected to fall to 14.1 per cent in 2016 compared with 35.8 per cent and 41.3 per cent in 2011 and 2009, respectively.

However, Goh said there is a need for the government to continue creating a conducive and competitive landscape where multinational corporations, government-linked companies, private enterprises and new innovative startups could thrive together in building Malaysia's future economy.

As for the ringgit's outlook, she said the local note would remain positive, driven by recovering oil prices, the country's sustained current account surplus and intact fiscal deficit targets.

— Bernama