Capital Dynamics predicts 3.5%-4% GDP growth in 2020

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By SHAZNI ONG / Pic By RAZAK GHAZALI

MALAYSIA is unlikely to meet its original GDP growth target of 4.8% for 2020, but should be able to achieve an economic expansion of between 3.5% and 4%, despite challenges including the Covid-19 outbreak.

While the outbreak continues to unfold, Capital Dynamics Sdn Bhd MD Tan Teng Boo *(picture)* foresees it will peak soon, considering that the recovery rate has also been gaining momentum.

"Sometime in February would probably be the peak. Then it will stabilise. If that is the case, then possibly we will reach between 3.5% and 4% (GDP growth)," he told reporters at an outlook briefing in Kuala Lumpur yesterday.

China has also been the biggest source of economic growth for the global economy for the last 15 to 20 years, he added.

"If China's economy recovers faster, that will likely provide a boost to Malaysia's GDP," Tan said.

Malaysia's economic growth sank to a decade-low of 4.3% for the full year of 2019, mainly dragged by external challenges, commodity disruptions and slower public investment activity, Bank Negara Malaysia (BNM) said last week.

Domestic growth will also be hit by the coronavirus particularly in the first quarter this year, BNM governor Datuk Nor Shamsiah Mohd Yunus had said.

The government is expected to announce an economic stimulus package to battle the impact of the outbreakN noetifxicta tTiohnus rPsodwaeryed By (Feb 27), which should help boost growth to a certain extent.

“In this kind of situation, everything helps, especially for the hospitality industry, the tourismrelated industry — those that are in the frontline,” Tan said.

However, he believes the highly anticipated stimulus package merely functions to tide the economy over in the shorter term, while GDP growth has already been “slowing down quite drastically even before the coronavirus outbreak”.

“There are other issues at hand Yes, you can launch whatever amount but we cannot afford that much because we have a budget deficit. Also, how long can it last? Six months? Then what is beyond that?” Tan said.

Rather than a single cause for the decline in the FTSE Bursa Malaysia KLCI or national economic growth, he said the slowing numbers could be attributed to the US-China trade war, Brexit, the Hong Kong riots, Australian bushfires, the South Korea-Japan quarrel, and now, the virus outbreak.

More needs to be done to draw greater confidence from foreign investors, Tan opined, suggesting that further clarity be provided on the country’s political future and long-term economic policies.

Moving forward, the country will still see positive growth for the year despite facing domestic and global challenges which could still affect the economy.

“It also depends on the sectors. Some sectors that are more export oriented — they are still okay, like gloves. Other than that, restaurants are not doing well,” Tan noted.

On equities, he described the situation as a “stock-picking season” which requires investors to be highly selective and choose individual stocks rather than sectors.

“For example, within the glove sector itself, some are doing well, some are not doing well. If you look at export-oriented, some are doing better than others.

“The same goes for semiconductors. If you look at counters like ViTrox Corp Bhd and Pentamaster Corp Bhd, they seem to be doing well. But if you look at KESM Industries Bhd andElsoft Research Bhd, they have dropped quite a lot, despite being in the semiconductor industry,” he said.