2018 TO BE A PRETTY **GOOD YEAR FOR MALAYSIA'S ECONOMY:** DEUTSCHE BANK

KUALA LUMPUR (Bernama) -- Twenty-Eighteen will likely be a pretty good year for Malaysia's economy and with the data in the US and Europe kept improving it will be possible for the country to be on par with them, at least in another couple of quarters, said Deutsche Bank Chief Asia-Pacific Economist, Dr Michael Spencer. "The growth will hold up reasonably well in the first half of this year but at the end of the year it will likely slow down. I think it will be well in 2019 as the growth will remain (probably) above five per cent," he told reporters at the World Capital Markets Symposium, organised by the Securities Commission. Spencer was one of the panellists during a one-hour session on 'Market Outlook 2018: What Lies Ahead'. He, however, said Malaysia needed to prepare for a gradual slower growth when the US interest rate started to bite its economy. Spencer also said Bank Negara Malaysia's (BNM) decision to increase interest rate was the right thing to do and he expected the central bank to raise the rates twice in the next 12 months. "I would prefer the central bank to be more forward-looking and I think the interest rate announcement was with the view that inflation will fall soon and I think it will," he said. BNM, via its monetary policy committee (MPC) meeting, decided to raise the key rate as the economy was on a steady growth path. "At the same time, the MPC recognised the need to pre-emptively ensure that the stance of monetary policy is appropriate to prevent the build-up of risks that could arise from interest rates being too low for a prolonged period of time," it said. The central bank said that looking ahead, the strong growth momentum was expected to continue in 2018, sustained by the stronger global growth and positive spillovers from the external sector to the domestic economy. On the ringgit, Spencer said, there would be another shake-up in the market in the second quarter of this year because of the inflation in the US. "Inflation in the US is going to shoot up between April and

August and that's historical reason based on fact last year. "The Asian currencies, including the ringgit, will likely trade weaker, however, we are just talking about a couple of percentage lower so it is not that significant," he said, adding that the local note would possibly reach the 3.80-level soon.

Another panellist, Chi Lo, Senior Economist of BNP Paribas Asset Management, said the renminbi has been strong and it would influence all the Asian currencies to get stronger.

"In my point of view, I think the ringgit is undervalued. There is indeed an increasing correlation between the Asian currencies' movements and the renminbi against the US dollar and the euro. If the research is a good guide, we could expect that overall the ringgit to appreciate against the US dollar," he said.

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