

Headline	'Malaysia will not be spared from looming global recession'		
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OPEN ECONOMY

## 'Malaysia will not be spared from looming global recession'

**KUALA LUMPUR:** Malaysia should get prepared as the global economy may be heading for its first recession in a decade, possibly by year-end, say economists.

They said the crisis in Turkey, which technically became the first nation to slip into recession, signals that more countries could follow suit as the trade war and Brexit are still not showing any improvement.

As a result, global growth will be affected and a recession may be looming, they said, adding that Malaysia, being an open economy, would not be spared.

Alliance Bank Malaysia Bhd chief economist Manokaran Motain said Turkey's economic slowdown signals the global economy is due for a recession, possibly in the later part of the year.

"Major economies such as the United States and China are also showing signs of slowing down.

"This is mostly due to events such as the trade war and Brexit. It will heavily affect global economic growth if the US and China do not come to terms. Once the global economy slips into recession, Malaysia will face the rip-



*A depreciation of the lira may help Malaysian Airports Holdings Bhd's International Sabiha Gokcen Airport in Turkey sustain profitability and expand profit margin. BLOOMBERG PIC*

pling effects," he told the New Straits Times.

AmBank group chief economist and head of research Dr Anthony Dass said "my bigger concern on the global and domestic side is the growing risk of falling into 'nominal' recession".

"Also for Malaysia, there is the need to boost comparative ad-

vantage, which has fallen behind Singapore, Vietnam and Thailand," he said.

Turkey's gross domestic product shrank three per cent year-on-year, the lowest in nine quarters. The economy contracted twice in the third quarter and fourth quarter last year, confirming technical recession. MIDF Research said the

main factors were household spending and investments in the fourth quarter.

The research house said both components constitute 57.1 per cent and 26.8 per cent of Turkey's economic activities.

The contractions, among others, were due to depreciation of the lira, decline in optimism among businesses, consumers and an increase in jobless rate, it added.

MIDF Research said Malaysia could see "minimal yet cautious" impact on its economy from Turkey's recession.

"The slowdown in Turkey would result in marginal contraction in Malaysia's industries such as textiles, chemicals, food and agriculture.

"As the lira plunged in August last year, we saw weakening exports to Turkey but strong imports of Turkish products by Malaysia," said the research firm.

MIDF Research said receding trade war tension, modest pickup in commodity prices and steady recovery in lira can help build momentum and prevent a recession.

"Turkey's economy may slowly improve, especially with the support from external demand," it added.

MIDF Research sees a "neutral" impact on three Malaysian companies with operations in Turkey.

The companies are Malaysian Airports Holdings Bhd (MAHB), IHH Healthcare Bhd and Tenaga Nasional Bhd (TNB).

"We like IHH due to the adoption of multi-country portfolio strategy to diversify its source of earnings as it is vital to eliminate country-specific risk in the current global economic climate," said MIDF Research.

The research firm said any depreciation of the lira may help MAHB's International Sabiha Gokcen Airport in Turkey sustain profitability and expand profit margin.

MIDF Research sees minimal risk of any further impairments.

"Given that the lira saw sharp depreciation last year, TNB had already fully impaired its carrying value in Gama Enerji in Turkey in which Tenaga owns 30 per cent." **Amir Hisyam Rasid**