

MIDF Investment: Economy facing some headwinds
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MIDF Investment is of the view that the government cannot apply the brakes on public spending yet as the economy faces some headwinds this year, its senior vice-president and head of research, Zulkifli Hamzah said.

Among the challenges faced by many countries including Malaysia, are the high crude oil and commodity prices as well as the after-effects of the recent Japanese earthquake and tsunami. The federal government deficit, he said, as a percentage of gross domestic product, is projected to decline further to 5.4 percent from 5.6 percent.

“But the decline may not be as steep as desired due to the lingering uncertainties aforementioned.

“It clearly denotes that the government does not intend to take any chances on the economic performance. This is also reflected in its fiscal rationalisation programme.

“The total government subsidies budgeted in 2011 is down by a marginal 4.9 percent to RM23.7 billion, from the RM24.9 billion spent in 2010 and RM20.3 billion in 2009,” he added.

Zulkifli said the apparent message is that while the government is for a lesser dependence on subsidies, the phased withdrawals will be done in a judicious manner so as to not exert, too much of a burden on the rakyat.

He was speaking to reporters on the sidelines of the ongoing Minggu Saham Amanah Malaysia 2011 in Ipoh today.

“Under this challenging global economic environment, managing inflationary risk and ensuring sustainable growth will be the policy focus.

“Headline inflation is expected to increase further in 2011 to average at 2.8 percent, driven by significant increase in global commodity and energy prices.

“There are indications that domestic demand factors could result in an upward pressure on prices in line with the sustained expansion in economic activity,” he added.

He said monetary policy will continue to facilitate economic growth, manage inflation and the build-up of financial imbalances arising from high global liquidity, volatile capital flows and elevated commodity prices.

“Additional targeted instruments such as macro-prudential lending measures may be deployed if excessive risk-taking behaviour and asset price escalation were to occur within specific segments of the market,” he added.

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