

Economy to expand 5.2% in 2010: MIER
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The economy could grow as fast as 5.2 percent in 2010 in a broad-based recovery, a leading forecaster said today, but warned of the need to reverse falling investment quickly.

The Malaysian Institute of Economic Research (MIER) said it expected domestic product (GDP) to expand more rapidly than its earlier forecast of 3.7 percent.

"The recovery (in the fourth quarter 2009) was broad-based with all economic sectors registering strong turnaround," it said in a statement.

"This along with improving consumer and business confidence allowed MIER to raise the GDP growth rate to 5.2 percent in 2010."

MIER said it will maintain its 5.0 percent growth projection for 2011.

The forecast for this year represents a strong recovery after a 1.7 percent contraction in 2009, when the export-dependent economy was hit by the global slowdown.

MIER also tipped the central bank to raise interest rates on the back of creeping inflation fears. Bank Negara last month hiked its key rate for the first time in almost four years as the economy emerged from recession.

Shortfall in investment

The forecaster said inflation could hit 2.2 percent this year, within the government's official forecast of between 2.0 percent and 2.5 percent.

It said the key interest rate could settle at 2.75 percent by the end of 2010, from 2.25 percent currently.

"Firmer economic expansion will further lift the overnight policy rate (OPR) to 3.25 percent in 2011," it added.

MIER executive director Zakaria Abdul Rashid emphasised the importance of stimulating private investment.

"We cannot rely on the public sector. (There is an) urgent need to address a shortfall in investment," he said.

MIER said approved manufacturing investment fell sharply by 48 percent to RM32.6 billion (US\$10 billion) in 2009 from RM62.8 billion (2008) as a result of the global financing crisis.

Malaysia last month unveiled plans for bold economic reforms including an overhaul of racial preferences for majority Malays, in a roadmap to achieve developed-nation status by 2020.

- AFP

