

GDP to hit 8% in 2010, says AmResearch
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The Malaysian economy is expected to expand at 8.0 percent in 2010, buoyed by strengthening domestic and external conditions, AmResearch Sdn Bhd said.

"We are now projecting a much higher forecast of 8.0 percent this year, the strongest since 1996, even though fiscal and monetary stimulus would be gradually withdrawn by yearend," it said in a statement here today.

The AmResearch number is higher than Bank Negara Malaysia's gross domestic product (GDP) data forecast of 4.5-5.5 percent and the World Bank's at 5.7 percent.

Prime Minister Najib Razak has also a more optimistic forecast, of not less than 6.0 percent for this year.

"It will be a broad-based recovery, with all major sectors of the economy registering positive growth, amid strengthening domestic demand and a pick-up in external demand," the research company highlighted.

For the first quarter of 2010, AmResearch estimates the economy to expand at a more rapid pace of 9.8 per cent, the highest in the last 10 years, with private sector spending by households as well as exports leading the way.

The country's export performance has benefited from an improvement in external demand, particularly from regional economies and stronger commodity prices.

However, with prospects of a disappointing global upswing getting dimmer, AmResearch maintains its forecast of the real GDP at around 6.0 percent in 2011.

It said this would depend very much on the type of reforms in the pipeline, as well as the government's commitment in making it a reality.

Since last year, several liberalisation measures have been introduced to lift direct foreign investment in financial services and in other tertiary sectors.

New GTP initiative

A new initiative known as the Government Transformation Programme (GTP) has also been started to tackle waste and corruption in the public sector and speed up the implementation of new projects.

Bursa Malaysia stock market economyMalaysia will also kickstart a second and final part of the New Economic Policy by the third quarter of this year, detailing structural reforms with timeliness, and this should boost the country's potential even stronger.

AmResearch said the major growth drivers in 2010 will be the manufacturing sector that is expected to expand by 12.3 percent, led by the electric and electronic sector, which represents more than nine percent of the GDP.

The services sector, it noted, is also estimated to grow at 7.1 percent and contribute at least 4.1 percentage points to the GDP, led by stronger demand arising from a positive

wealth effect of the financial markets, stable employment conditions and rising income levels.

AmResearch said private consumption is also expected to rise on the back of improvements in the labour market, disposable incomes and consumer confidence.

"We forecast a 4.5 percent growth this year, against 0.8 percent in 2009," it added.

Ringgit to strengthen

Meanwhile, exports and imports are to post double-digit growths of 15 percent and 16 percent this year for a higher current account surplus of RM125bil or 20 percent of the GDP.

Headline inflation is expected to rise 2.5 percent, in tandem with improving economic conditions and possible adjustments to prices.

"Given the assumption of stronger economic momentum and higher inflation rates, we reckon the year-end target for the overnight policy rate will be at three percent now.

"This is still below neutral levels and would not choke the recovery process.

"In this regard, we see the ringgit at RM3.10 per US dollar by year-end, moving towards its new fair-value, since the trade-weighted index is also a function of GDP and OPR," it added.

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