

MIER revises GDP forecast to 6.5% this year
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The Malaysian Institute of Economic Research (MIER) has revised the country's gross domestic product (GDP) growth for the year to 6.5 per cent from its previous forecast of 5.2 per cent.

Its executive director Zakariah Abdul Rashid said the upward revision was based on a strong first-quarter GDP growth of 10.1 per cent and good export performance.

"The revision was also in line with other regional performances and aided by continuing robust consumer and business confidence," he told reporters at the Asian Development Bank Institute-MIER joint dissemination seminar in Kuala Lumpur today.

For the second quarter, Zakariah expects the GDP to be positive at between 6.5 and 6.7 per cent in view of the whole year GDP having been forecast at 6.5 per cent.

"The second quarter may lower than the first quarter as annual growth rate of export and import data is showing a sign of slowdown compared with the previous quarter. This will pull down the growth for second quarter," he said.

He also said that it would not be difficult for Malaysia to achieve the six per cent growth in GDP this year but it would be a challenge to maintain the growth momentum until 2020.

On foreign direct investment (FDI), Zakariah said the FDI outflow was occurring due to economic factors such as infrastructure, exchange rate and economic model.

Non-economic factors

Non-economic factors like politics were also among the key concerns for foreign investors to decide whether to invest their capital in Malaysia, he said.

"Inflow of FDI at this point is less and it is a challenge for the government.

"We will see how the government promises incentives and a conducive environment to attract foreign investors," he added.

On domestic demand, Zakariah said it was considered resilient, coupled with the robust household expenditure or consumer sentiment.

However, domestic investment, including FDI, was pulling down the domestic demand, he said.

"If we can improve domestic investment, domestic demand on all components, household and government consumption as well as investments, will be strong," he added.

Another way to boost domestic demand was increase the social protection expenditure to boost consumer spending, Zakariah said, adding that Malaysia spent 3.9 per cent of its GDP on social protection programmes.

- Bernama