

MIER disappointed by aspects of Budget 2011
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A top economic think-tank said today it expected the economy to expand by 6.5 percent this year, below the government's forecast of 7 percent, as it sees slower exports and weaker business sentiment.

The Malaysian Institute of Economic Research (MIER) said the weaker tone was expected to prevail until 2011, where it forecasts economic growth of 5.2 percent.

"There are downside risks to growth and we have based this on slowing exports and weaker sentiment in our business conditions survey," the think-tank said.

It expects inflation at 2 percent in 2010 and 2.5 percent in 2011. The authorities would likely raise interest rates to 3.25 percent by end 2011 from 2.75 percent to control inflation.

On the 2011 budget that the government announced on Friday, MIER said it was disappointed that the reduction in the fiscal deficit was small and that there were no measures to address the increasingly high household debt.

Prime Minister Najib Abdul Razak said that Malaysia was on track to hit its 5.6 percent fiscal deficit target in 2010 and would reduce that further to 5.4 percent in 2011.

- Reuters

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