

Zeti: Worst is over, economy on road to recovery
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Malaysia's domestic demand is showing clear signs of recovery prompted by the fiscal stimulus and an accommodative monetary policy, Bank Negara Malaysia (BNM) Governor Zeti Akhtar Aziz said today.

"We have seen the worst and there is now across the board improvement but the external sector has to show a more significant improvement in terms of external demand.

"But there are clear signs of recovery in domestic demand which has benefited from the fiscal stimulus and the accommodative monetary policy," she said.

Zeti was speaking to reporters after delivering a keynote address at the South East Asian Central Banks-Bank Negara Malaysia Banking and Financial Law School 2009.

Asked if Malaysia is experiencing a W shape recovery, Zeti said the country did not experience any credit crunch as financial institutions remained strong and continued to provide financing for domestic businesses.

While saying that Malaysia did not face any financial crisis, Zeti added that only countries with over leverage needed to reduce their indebtedness.

"Only if they restructure their financial system would they be able to see any sign of increase in consumption activity.

"There could infact be a second round of impact on their financial system given the economic slowdown but in Malaysia's case, we never had that situation to begin with as our banks are financially very solid," she said.

No changes to interest rates

Asked if interest rates will be revised, the governor said it was at an appropriate level now and would remain so unless there were any significant changes.

Zeti added the business environment now was dynamic and, going forward, is expected to improve significantly next year.

"The economy is likely to continue improving but in the initial stage we expect growth to be modest. Growth will be more significant next year," Zeti said.

Prime Minister Najib Abdul Razak will unveil Budget 2010 in parliament on Oct 23, 2009 and he is expected to announce the revised forecast Gross Domestic Product (GDP) growth for this year and 2010.

On Asian Development Bank's forecast of a 3.1 percent contraction for the Malaysian economy, Zeti is confident the country would see positive growth in the fourth quarter as external demand is likely to improve in the third quarter.

"For this year, our assessment is we are seeing positive growth after the collapse in external demand and in world trade," she added.

- *Bernama*

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