

Govt confident of 6% growth

GDP TARGET CAN BE MET DESPITE DOWNWARD REVISION BY MIER

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THE government is confident of meeting its economic growth forecast of 6% this year despite the Malaysian Institute of Economic Research's (MIER) move to lower its growth projection to 5.2% from 5.5%.

Second Finance Minister Tan Sri Nor Mohamed Yakcop said yesterday that Malaysia would be able to achieve its 6% target, as announced in the last Budget proposals.

"Any revision, if there is, would be announced by the Prime Minister (Datuk Seri Abdullah Ahmad Badawi) when he tables the 2007 Budget proposal on Sept 1," he said after the launching of KPJ Healthcare Bhd's Al-Aqar REIT in Putrajaya.

He was commenting on the MIER's decision to lower gross domestic product (GDP) growth for 2006 to 5.2% from its earlier forecast of 5.5% on expectations of slower consumer demand.

On the ringgit, Nor Mohamed said the government was "not unhappy" with the pace of appreciation of the ringgit against the US dollar since the local unit was depegged on July 21, 2005. The ringgit was quoted at RM3.693 to the US dollar at 5pm yesterday.

"The floating rate is determined by international market forces. Other currencies have also weakened and then strengthened. There are many determinants for currency flotation," he said. The ringgit has strengthened 2.8% since it was depegged.

The government targets an average GDP growth of 6% annually under the five-year Ninth

Malaysia Plan (9MP), which kicked off this year.

Earlier, MIER executive director Dr Mohamed Ariff Abdul Kareem said GDP growth was also expected to slow down to 4.8% in 2007.

Speaking at the 21st National Economic Briefing in Kuala Lumpur, Ariff said the fear was that as Malaysia's main export market decelerated, external demand would slacken and this would impact domestic activity.

He said escalating tensions in the Middle East, which saw oil prices surging to US\$78 (RM287.57) per barrel recently, had fuelled inflationary pressures in developed countries.

"To contain inflationary threat, many central banks have raised interest rates," he said, pointing out that the US Federal Reserve's recent series of interest rate increases, at the expense of lower economic growth, would have a dampening effect on the global economy and Malaysia would not be insulated.

On the 9MP, he expects investments to be more active with the implementation of projects, after the government announced RM15 billion worth of construction projects.

"With the impact starting to kick in, in the second half of the year, the construction sector will get a boost from infrastructure spending and this could offset some of the emerging weakness in external demand which could become more evident in the fourth quarter," he said.

However, Ariff said it would take a while before the 9MP projects would be translated into actual investment activities and private investments might also moderate due to rising costs and higher interest rates overseas.