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Budget 2011 must brace for possible global slowdown

by SITI RADZIAH HAMZAH

THE Budget 2011 should take into account the probability of a slowing down in the global economy next year, said an economist.

The Institute of Strategic and International Studies (ISIS) chief executive officer (CEO) Datuk Dr Mahani Zainal Abidin said next year's budget was imperative as the global economy was expected to be bumpy time ahead.

"The government must be prepared to face a difficult

world economy," Mahani told reporters at the sidelines of the CEO Forum hosted by the Perdana Leadership Foundation in Kuala Lumpur, yesterday.

She was responding to questions on the country's growth prospects for next year.

Earlier, Mahani chaired a dialogue session on competitiveness, innovation and the future of the Malaysian economy.

The Budget 2011 will be tabled in Parliament on Oct 15 by the Prime Minister and Fi-

nance Minister Datuk Seri Mohd Najib Razak.

Mahani said the government could learn from past experience by preparing a supplementary budget to manage the situation in the event the country's economy was impacted by external shocks.

In March last year, the government tabled a RM60 billion mini budget to drive the economy forward after being jolted by the global financial crisis.

"Now we can see tell tale signs of the American econo-

my slowing down a bit, and when the US stops importing, that's a downside risk," she said.

She said many analysts had predicted a tougher economy next year as the global economy depended on the American and Europe economies.

"We must make preparations on how we can stimulate the domestic economy if the external economy turned sluggish," Mahani said.

The other risk that could slow down the economic growth was foreign exchange,

she said.

"When the ringgit becomes stronger and the exchange rates of other countries are not as strong as the ringgit, this may slightly affect our exports," she said.

Mahani noted the 6.8% growth rate as estimated by the Manila-based Asian Development Bank (ADB) was a 'conservative' projection.

"I think Malaysia will register between 6% to 7% growth this year. So, Malaysia will record a higher growth from that projected by ADB," she said.