

## **Strong Domestic Demand To Fuel Malaysia's 2012 Growth: Analysts**

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KUALA LUMPUR, Dec 29 (Bernama) -- Malaysia's economy could face bigger challenges next year due to the adverse effects of the global economic slowdown but continuous domestic investment, coupled with strong domestic demand, are expected to lend support to the country's growth, analysts said.

Apart from that, spill-over effects from the implementation of the Economic Transformation Programme (ETP) entry point projects would also drive the country into a growth trajectory, they said.

RAM Holdings Bhd group chief economist Dr Yeah Kim Leng said domestic demand-led growth and increased regional trade and investment would be among the key areas that would help generate growth for the Asian country.

"In the case of Malaysia next year, we do expect, although we think that there will be some knock-on effects as a result of a slower external demand, I think the momentum generated by our rising private consumption and domestic investments can help insulate the economy from the adverse effects of the global slowdown," he told Bernama in an interview recently.

Since 2001, the greater shift towards domestic-led demand and gradual shift away from the G3 market (the United States, Europe and Japan) towards intra-regional demand for export, have helped Malaysia to reduce its dependency on the advanced economies, he said.

Yeah said the country's export to the U.S. currently accounts for about eight to nine per cent of total exports while export to Asian countries accounted for slightly more than 50 per cent.

"As a result of this shift in the economy, I think Malaysia now is slightly more resilient to the impending or looming slowdown of the global economy," he added.

According to Moody's Analytics, Malaysia, as well as other commodity producers like Indonesia, Australia and New Zealand, fared better this year in terms of domestic economic growth due to continued demand for agricultural products and industrial metals.

Despite Asia being the focus of global growth this year, inflation remained the main challenge in the first half of 2011 as central banks continued monetary tightening, before a regional slowdown prompted a shift toward policy easing in the second half, said the international credit rating agency.

Meanwhile, Asia was reportedly to increase its share of the world's gross domestic product (GDP) from the current 25 per cent to 35 per cent by 2020 while G3's share will likely fall from 48 per cent to 38 per cent.

On the local front, Prime Minister Datuk Seri Najib Tun Razak recently said the country

would maintain a projection of five per cent growth for the economy this year and next year barring "something catastrophic".

In the third quarter of this year, Malaysia's economy expanded 5.8 per cent compared with 5.3 per cent recorded in the same quarter last year, due to stronger domestic demand.

"We are entering the crisis in a position that is slightly better than most countries largely because we have full employment and are still experiencing jobs growth and fairly stable income growth," Yeah said.

He said what is important is that our banks and financial system are in a relatively healthier position to ensure lending can continue as in 2009, and despite the global crisis, these banks' loans growth only reduced by half, from nine to 10 per cent to five to six per cent.

"That continuous credit flow is another important aspect supporting the economic growth. Without lending or credit flows, the economy will be in an even much worse position," he said.

Yeah said even though it will be a challenging environment for Malaysia, the strong fundamentals are there with Malaysian companies with relatively strong balance sheets, a healthy banking system and continuous household nominal income growth.

On the global front, the European economies would continue to be weaker and fragile next year and may take at least a decade to recover given the size of their debt, he said.

On the country's growth projection, Yeah said they are confident of achieving above five per cent growth for the last quarter and five per cent growth for the year overall.

"We are still uncertain as to how big the shock is, the magnitude as well as the duration of the shock which is oncoming.

"At this juncture, we are maintaining our forecast of 5.2 per cent for 2012 until the next review, which is next month," he said.

He said in the worst case scenario, factoring in export shock or a reduction of export by 10 per cent, at least two percentage points would be shaved from the GDP.

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