

Export slump may hit Malaysia growth in 2012, says ADB
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KUALA LUMPUR, Dec 6 — The Asian Development Bank (ADB) has forecast growth of 4.7 per cent for Malaysia next year, down slightly from 4.8 per cent in 2011, due to a potential slump in exports to the advanced economies of US and Europe.

The bank said in its report on Asia macroeconomic development released today that while US economic growth could strengthen somewhat, the euro zone will likely fall into either a brief recession or a more severe long-term downturn.

A report by the Asian Development Bank said today Malaysia exports are vulnerable to the euro zone falling into either a brief recession or a more severe long-term downturn. — Reuters file pic

In its assessment of country vulnerabilities, the bank noted that Malaysia's fiscal deficit of over five per cent of GDP last year was higher than several other regional economies such as Thailand (two per cent), Singapore (0.1 per cent) and Indonesia (0.7 per cent).

Only Cambodia (six per cent), Brunei (eight per cent) and Vietnam (eight per cent) had higher fiscal deficit ratios.

Malaysian government officials have maintained GDP growth projections of between five and six per cent for next year thanks partly to the implementation of projects identified in the Economic Transformation Programme and strong commodity prices which will boost spending in rural areas.

Most research houses, however, expect Malaysia to grow between three and five per cent.

The World Bank said last month that Malaysia's economy is expected to slow further in the remainder of 2011 and into early 2012 mainly due to a deterioration in the outlook for external demand and expects a growth of 4.9 per cent next year.

The International Monetary Fund (IMF) in its September report had forecast a growth of 5.2 per cent this year and 5.1 per cent in 2012 for Malaysia.

Malaysia's third quarter growth surpassed expectations to grow at 5.8 per cent thanks to robust domestic demand.

A global economic slowdown may also hit oil prices, a commodity which Malaysia relies heavily on.

Petronas CEO Datuk Shamsul Azhar Abbas said last week that that crude oil prices were expected to moderate next year to US\$85-87 (RM267-273) per barrel from about US\$110 currently due to economic problems in advanced countries and signs of a slowdown in China.

"Emerging East Asia is certainly not immune to a major slowdown in advanced economies, which would hurt the region's economic growth and pose significant policy challenges," said

the report today.

ADB noted that even if the crisis does not worsen and the euro zone begins to resolve its debt problems in an orderly manner, prudent macroeconomic management is still required to boost domestic demand.

This was because of the expectations of continued weak external demand while at the same time, containing risks from continued inflationary pressures.

It also stressed that the region's future depends on developing new growth sources or drivers of the economy, and policymakers must prioritise policies that foster productivity growth.

With demand from US and Europe expected to remain weak, ADB urged an increasing intraregional trade and financial integration, as well an expansion of links with other emerging economies.

"Economic links between emerging economies have huge potential as a new source of growth for the region," said the report.

"To promote this expansion, structural weaknesses such as trade barriers, uncompetitive domestic industries, and poor trade-related infrastructure and logistics must be overcome."

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