

**2012 growth seen at 5-6pc, smaller deficit**  
**Reuters**  
**October 7, 2011**

KUALA LUMPUR, Oct 7 — Malaysia will be able to achieve economic growth of 5-6 per cent in 2012 and cut its fiscal deficit further as strong domestic demand and commodities exports cushion the impact of a global downturn, the government forecast today.

Authorities will trim development spending and maintain subsidies to keep prices down, while banking on low borrowing costs and a healthy job market to keep economic growth on an even keel next year.

“For 2012, GDP growth in Malaysia will be largely domestic-driven, due to heightened uncertainties in the global economy,” the government said in its annual economic forecast.

“While the outlook for 2012 is affected by the increasingly adverse external environment, strong economic fundamentals coupled with pragmatic macroeconomic policies and implementation of the Economic Transformation Programme will enhance domestic sources of growth.”

The Economic Transformation Programme is a government blueprint to draw US\$444 billion (RM1.4 trillion) in mainly private investments into key sectors such as services and oil and gas.

The government revised its 2011 economic growth target to 5.0-5.5 per cent from 5.0-6.0 per cent earlier.

It estimated that the fiscal deficit will shrink further to 4.7 per cent of gross domestic product next year from 5.4 per cent in 2011 as it reduces development spending.

Prime Minister Datuk Seri Najib Razak, who is also Finance Minister, leaving the Treasury for Parliament to present Budget 2012 on October 7, 2011.

Last month, the Asian Development Bank said it had reduced its forecast for Malaysia's 2011 GDP growth to 4.8 per cent from 5.3 per cent previously as global uncertainties grow, and trimmed its 2012 forecast to 5.1 per cent from 5.3 per cent.

A government source had told Reuters on Tuesday that the authorities would meet their budget deficit target of 5.4 per cent of GDP this year and shrink the gap further in 2012.

Net domestic borrowings are expected to total RM43.6 billion versus RM45.1 billion in 2011.

Government revenue will be up 1.9 per cent at RM186.9 billion in 2012 from a year ago, thanks to better tax earnings.

Subsidy spending on staples such as fuel, sugar and flour are expected to total RM33.2 billion next year, versus RM32.8 billion in 2011.

Malaysia's economic growth accelerated to a decade-high 7.2 per cent in 2010, and is officially expected to be at least 5 per cent this year, though annual growth moderated to 4.0 per cent in the second quarter of 2011.

Many analysts have cut their projections for 2012 Malaysian economic growth, citing the weaker global economy and corresponding downward pressure on prices of palm oil and crude oil, the country's key exports.

The government said inflation stood at 3.1 per cent for the January-August period this year but did not give a forecast for 2012.

"Domestic inflation is increasingly affected by external factors, including supply constraints," it said.

"Under such circumstances, sustaining a low inflation environment domestically is more challenging than in the past and requires innovative measures," it said without elaborating.

Domestic demand will expand 7.6 per cent in 2012, versus 8.1 per cent this year.

Exports, which accounted for about 89 per cent of the Malaysian economy last year, are targeted to rise 6.0 per cent next year, slowing slightly from the projected 6.7 per cent this year.

Import growth will moderate to 7.0 per cent next year from 7.5 per cent this year. —  
Reuters

The Malaysian Insider

Copyright © 2011 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/malaysia/article/2012-growth-seen-at-5-6pc-s-maller-deficit/>