

**Market analysts say government growth projection too high**  
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**By Shazwan Mustafa Kamal**

KUALA LUMPUR, Oct 7 — The government's growth projection for next year is a little too high, said analysts today, adding that they had expected Putrajaya to be more cautious given the recent global economic downturn.

Prime Minister Datuk Seri Najib Razak said in his Budget speech today that 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 cushions the impact of a global downturn.

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.

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.

"The government still looks fairly positive on the growth front. We were perhaps expecting a bit more caution given what is happening in the global front.

"That's a pretty bullish outlook relative to the street and relative to ourselves as well. We're looking at 4 per cent this year and 4.2 per cent next year. Second-half (growth) has to turn up to 5.5 per cent to average even 5 per cent. So that looks a bit optimistic from my view," Chua Hak Bin from Merrill Lynch Bank of America told Reuters.

He said the government seems "fairly upbeat" in terms of forecasting national growth projection, and questioned whether the targets were really realistic projections. Najib presents Budget 2012 in Parliament in Kuala Lumpur on October 7, 2011. — Picture by Jack Ooi

"The fiscal deficit as well has come in below expectations... I think a lot of people were expecting about 5 per cent," he added.

Economist Alan Tan forecasts the country's gross domestic product (GDP) will expand to 5 per cent next year.

"Domestic demand may not be strong enough to help offset external slowdown.

"In view of the global uncertainty and the possibility that the European economy will head into a recession next year, our forecast for next year's GDP is on the lower end of the government projection," said Tan, who works with Affin Investment Bank.

United Overseas Bank economist Ho Woei Chen told Reuters that the country is not going to ramp up development spending as expected, based on the budget figures.

"The growth numbers seem to be on the high side. We are looking at below 5 per cent for this year and next year, which is 4.8 per cent for 2011 and 4.9 per cent for 2012 with downside risks to our forecasts as well.

"Looking at the numbers, Malaysia is not going to ramp up development spending as expected.

"It will be interesting to see what specific measures will be contained in the budget. The budget does not look very expansionary with government salaries up just RM2 billion," he said.

Citigroup economist Kit Wei Zheng said he was surprised with the government's lower-than-expected operating expenditure "given that there is talk of an election."

"I think the GDP estimates for 2012 are a fair number. It would be closer to the five per cent level," he told Reuters.

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.

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 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 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.

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