

Report: Global Economic Growth Projected At 4 Per Cent In 2012
Bernama
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KUALA LUMPUR, Oct 7 (Bernama) -- Global economy is projected to grow at a moderate four per cent in 2012, similar to the growth recorded for last year, amid heightened uncertainties over the pace of recovery in advanced economies.

Making this projection in its Economic Report 2011/2012, the Treasury said global growth was expected to remain moderate in 2012 as world investments and trade continue to expand, albeit at a slower growth.

It said the growth would be largely driven by sustained expansion in emerging and developing economies, continued accommodative monetary policies in major advanced economies and reconstruction activities in Japan.

Growth in advanced economies as well as emerging and developing economies is expected to expand 1.9 per cent and 6.1 per cent, respectively.

However, downside risks remain, particularly high unemployment, lingering sovereign debt crisis, weak fiscal and financial positions in advanced economies, geopolitical uncertainties and destabilising capital flows, the report said.

The report also said that global economic activity was set to moderate in 2011.

During the first half of 2011, global growth was increasingly uneven and most emerging and developing economies continued to register strong growth.

The tightening in monetary policy through higher interest rates and statutory reserve requirements as well as currency appreciation impacted the growth performance of some countries. In contrast, major advanced economies posted slower growth.

For the second half of 2011, global economic conditions are expected to remain increasingly challenging. On the positive side, the strong growth momentum in China, India and other emerging and developing economies is expected to continue.

However, the growth in major advanced economies such as the Euro area, the United States and Japan are expected to weaken further.

Downside risks have increased due to limited fiscal space in advanced economies with high fiscal deficits and debts. Further monetary measures were also limited as interest rates are currently at low levels, the report added.

Meanwhile, global foreign direct investment (FDI) inflows are projected to reach between US\$1.4 trillion and US\$1.6 trillion in 2011 as cash rich companies seize new investment opportunities.

The report said emerging economies, particularly, Brazil, China, India and Russia were expected to be increasingly important sources of FDI. However, heightened uncertainties in global economic conditions may dampen the positive investment outlook.

The report also quoted The World Investment Report 2011 by the United Nations Conference on Trade and Development which indicated that FDI inflows for 2010 rose 4.9 per cent to US\$1,243.7 billion (2009: -32.1 per cent: US\$1,185 billion).

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