

Putrajaya insists economic growth projections 'reasonable'

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KUALA LUMPUR, Oct 12 — Putrajaya today defended its five to six per cent growth projection for 2012 by saying it was within "reasonable bounds", with a deputy minister arguing that even the International Monetary Fund (IMF) had forecast Malaysia's economy to expand by "over five per cent."

The government's contention that its gross domestic product (GDP) forecast announcement last week could be achieved comes after criticisms from a host of banks and market analysts that the projection was too optimistic.

The latest came from RHB Research Institute, which said yesterday that Malaysia's economic growth could slow to just 3.6 per cent next year from a projected 4.3 per cent this year due to the increasing risk of a double dip global recession.

The RHB unit's growth projection is significantly lower than Prime Minister Datuk Seri Najib Razak's forecast of five to six per cent growth for 2012 in his proposed RM232 billion Budget 2012 tabled last Friday.

In response, Deputy Finance Minister Datuk Awang Adek Hussin (picture) said today that the government had its "own reasons" for its high projection, and that RHB's forecast was untenable.

"We are still sticking to our own projections, our own readings, it is within reasonable bounds.

"RHB's projections are far, far off. It cannot be three per cent. There are no reasons for recession locally for now," he told reporters here.

The deputy minister said IMF's forecast for Malaysia's growth projections supported the government's projection.

"I am sure IMF's forecast, resources are much more than RHB," Awang Adek said.

The IMF said in its September World Economic Outlook report that it forecasts a four per cent growth rate for both 2011 and 2012, as compared with 4.3 per cent and 4.5 per cent in June.

The IMF forecast that Malaysia's economy was projected to expand by 5.3 per cent in 2011 and 5.6 per cent in 2012.

In RHB's recent report, the research house said that the risk of a double-dip global recession is high and rising as both the US and Europe cannot withstand another shock although a recession could be averted if leaders in both continents act fast enough to contain the debt crises and avert a contagion that could lead to a complete meltdown in confidence.

It also expected businesses to cut spending in view of rising uncertainties although some

growth will come from the implementation of the Economic Transformation Programme (ETP).

Most research houses have lowered their 2012 growth projections for Malaysia despite Najib's optimism in the Budget proposals, which critics have say is primed for the next general election that must be called by early 2013.

Bank of America Global Research estimated Malaysia's GDP to grow at 4.2 per cent in 2012 while Maybank Investment Bank said it expected Malaysia's GDP to expand at between 3.5-4 per cent. CIMB Investment Bank forecast a GDP growth of 3.8 per cent next year.

In his Budget 2012 proposals, Najib promised cash handouts, more money for civil servants, schools and a fund for "high-impact development" projects as part of measures to put money in the pockets of the majority of Malaysians who live in the lower income group.

The government will offer a one-off RM500 cash handout to households with a monthly income of less than RM3,000, a RM100 cash aid and RM200 book vouchers for students from the Budget, which is forecast to only have a 4.7 per cent fiscal deficit, down from the projected 5.4 per cent this year.

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 2012 Budget funds for subsidies is expected to total RM33.2 billion.

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