

MIER trims GDP estimates as global economic slump bites
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KUALA LUMPUR, Oct 13 — The Malaysian Institute of Economic Research (MIER) cut to 4.6 per cent, from 5.2 per cent, its projection for the country's economic growth this year, citing a sliding global economy that it said could hurt exports.

The government-funded MIER also downgraded its estimates for 2012 to 5.5 per cent, which is within the Najib administration's projected growth range of between five and six per cent.

Some market and bank analysts have described next year's projections as too rosy, with RHB Research Institute saying this week 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.

MIER executive director Zakariah Abdul Rashid said today that while the 2012 Budget unveiled last Friday will help boost private consumption, it will not be able to offset a slump in external demand.

"The 2012 Budget is insufficient to overcome external weakness," he said in a briefing today.

Zakariah said that MIER's tentative forecast for next year was five per cent, pending the collection of more data at the upcoming National Economic Outlook Conference meeting next month.

"We will not be able to say confidently it is five per cent," he added.

Most research houses have estimated growth at less than five per cent for next year, with Bank of America Global Research predicting Malaysia's gross domestic product (GDP) to grow at 4.2 per cent in 2012.

Maybank Investment Bank said it expected Malaysia's GDP to expand at between 3.5 and four per cent, and CIMB Investment Bank forecast a GDP growth of 3.8 per cent next year.

MIER's Business Conditions Index, which tracks domestic manufacturing, dropped by 9.6 points to 104.5 in the third quarter from the second quarter.

The CEO Confidence Index, meanwhile, also fell from 111.9 to and 93.3 points.

The Consumer Sentiment Index rose slightly, however, to 108.7 points but remained below the 115.8 point level seen during the same period last year.

In his Budget 2012 proposals, Datuk Seri Najib Razak 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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