

**Malaysia Poised For Another Year Of Growth, Says OBG**  
**Bernama**  
**January 4, 2012**  
**By Yong Soo Heong**

KUALA LUMPUR, Jan 4 (Bernama) -- With many of Malaysia's economic sectors having performed solidly over the past 12 months, the country is poised for another strong performance this year, says Oxford Business Group (OBG), a global publishing and consultancy company.

Though final figures have yet to be issued, OBG said it was expected that the Malaysian economy would have expanded by more than 5.0 per cent in 2011.

OBG said Malaysia's foreign direct investments (FDIs) had gone up while inflation was well contained and the financial sector remained steady.

However, it cautioned that there could be some impact from the European debt crisis, with demand for exports widely predicted to ease this year.

OBG said Malaysia, after having successfully ridden out the global financial crisis of 2008 and 2009, its economy appeared to be well placed to continue its progress into 2012 and beyond.

At the end of November, the Organisation for Economic and Cooperative Development (OECD) forecast that this solid rate of growth would continue for at least the next five years, predicting that Malaysia's GDP would expand by 5.3 per cent in each of the next few years and hit 5.6 per cent by 2016.

OBG said the OECD's forecast was somewhat more optimistic than the Asian Development Bank or the World Bank, which was looking at a growth for Malaysia's GDP rising by 4.7 per cent and 4.9 per cent, respectively, in 2012 although it was roughly in line with the International Monetary Fund's projection of 5.1 per cent.

"Whatever the ultimate figure, it will be well in excess of those of Malaysia's European and North American trading partners and in advance of most regional and global economies," OBG said.

Along with the GDP, Malaysia's balance of payments figures were also positive in 2011, with the current account surplus standing at US\$23.8 billion for the nine months ended Sept 30, an 18 per cent increase on the US\$20.2 billion posted in the same period last year.

However, OBG said there were some concerns that Malaysia's export trade could suffer in 2012, as major segments of the global economy could flirt with recession.

While Malaysia's exports rose by a healthy 15.8 per cent in October, this rate of increase was lower than that of the previous month, though still above the 9.1 per cent rise spread over the first 10 months of the year, it said.

OBG said while overseas trade may raise a few concerns in the coming year, the same was

unlikely to be the case with inflation.

The latest figures released in November by the Statistics Department showed inflation had remained fairly steady, with consumer prices rising by 3.4 per cent year-on-year in October.

Inflation could ease further in 2012, dipping to between 2.5 per cent and 2.8 per cent, OBG said.

This would be a result of a slowing of demand, and a slight deceleration of growth, with commodity prices moderating, it said.

The publishing group also said there was more reassuring news in a recent report from a ratings agency, Fitch, which said the Malaysian banking sector was also in good shape as the year comes to a close and was well placed to ride out a renewed bout of economic retreat.

The report, released in mid-December, said the outlook for Malaysian lenders was stable though household debts, currently running at 76 per cent of 2010 GDP, remained high.

Local banks have put in place satisfactory risk management, the report said, adding that the impact of higher credit costs resulting from a general weakening of the global economy could largely be absorbed through banks' earnings, leaving limited risk of capital erosion.

OBG said another sign of the stability and appeal of the Malaysian economy came in the form of inflows of FDIs, which rose by 43 per cent to US\$8.3 billion during the first nine months of the year in comparison to the same period in 2010.

Indeed, the year-end total for 2011 was likely to meet or exceed the US\$10 billion forecast by the government, it said.

However, OBG said it was possible that Malaysia may struggle to match this total in 2012, with some indications that FDIs may be drying up as eurozone economies move ever closer to recession, a move that could reduce global investor sentiment.

"Though there were still positive FDI inflows in the third quarter, the US\$1.6 billion between July and September 2011 was some 50 per cent less than in the previous quarter, reflecting uncertainties and growing caution among international investors. This unease could well continue into 2012," it added.

---BERNAMA

Copyright © 2012 BERNAMA

Source: <http://www.bernama.com/bernama/v6/newsindex.php?id=637836>