

Standard Chartered: GDP growth to fall to 2.7pc in 2012
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KUALA LUMPUR, Jan 16 — Malaysia's GDP growth will slow to 2.7 per cent in 2012 from an estimated 4.8 per cent last year due to slower demand in the US and the crisis-hit eurozone, Standard Chartered said today.

Standard Chartered Southeast Asia research head Tai Hui said growth will be driven by the commodities sector, noting that the sale of palm oil, rubber and gas accounted for 70 per cent of Malaysia's export growth for the first nine months of 2011.

"Manufacturing exports have really not been that great in terms of performance... Exports are really driven by commodities, especially commodity prices," he said at the Global Research Briefing 2012 here.

GDP growth will be weakest in the first quarter, in part due to the expectation that Malaysia will continue to tighten interest rates in tandem with other countries in the region, Tai added.

However, he said inflation would likely be less of a threat over the next 12 months as food and commodity prices stabilised.

Standard Chartered expects inflation to fall to 2.6 per cent this year, down from 3.3 per cent in 2011.

The UK-based bank also said the Najib administration's Economic Transformation Programme (ETP) was on track but urged Putrajaya to step up efforts in light of the expected global slowdown to attract more investment.

While Malaysia has succeeded in attracting RM177 billion in investments — or 13 per cent of the RM1.4 trillion targeted by 2020 — investment growth only clocked in at 5.1 per cent, "which does not suggest a structural pick-up in investment", it noted.

But the firm said government efforts appeared to have "revived" FDI, which totalled RM26.4 billion for the first nine months of 2011.

This was higher than the RM18.6 billion FDI in the same period in 2011 and also exceeded the RM24.8 billion for the same period in 2007, before the global crisis.

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