

World Bank: Growth in Malaysia, Asia-Pac to slow in 2012
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KUALA LUMPUR, Jan 18 — Developing economies in Asia-Pacific, including Malaysia, will slow for a second straight year in 2012 as Europe's debt woes and weaker global trade drag down growth prospects, the World Bank said.

The US-based lender said in its Global Economic Prospects 2012 report the health of Europe's economy, bogged down by a sovereign debt crisis, represented the "strongest risk" for most of the countries in the region at this time.

"If the situation in Europe deteriorates sharply, global trade could fall by 5 or more per cent with serious implications for the very open East Asia region," it said.

The report pointed out that a 17 per cent annual decline in European imports had depressed global trade volumes by 8 per cent during the three months ending October, and cut growth world trade volumes projections to 4.7 per cent from 7.7 per cent.

The World Bank also noted that the economies of Malaysia, Indonesia, Thailand and the Philippines slowed sharply to 4.6 per cent in 2011 from 6.9 per cent in 2012, and predicted that growth in these countries would be mixed this year.

However, it said the expected strengthening in domestic demand in the ASEAN-4 countries would help offset the dampening effects of any decline in global trade.

"Though subject to much risk on the trade side, GDP gains for these countries could reach 5.2 and 5.7 per cent for 2012 and 2013, respectively," the report said.

Malaysia, along with China, Indonesia and Thailand, will also be exposed to possible market disruptions, exchange rate volatility and external financing pressures as the odds of international capital flows freezing increased, it added.

The report said vulnerabilities would be "more acute" for countries with large shares of short term and maturing debt or current account deficits.

Malaysia's central bank has left overnight rates unchanged in recent meetings to shield the economy from the protracted debt crisis in the eurozone, where growth is expected to contract by 0.3 per cent this year.

Standard Chartered predicted yesterday that Malaysia's GDP growth will slow to 2.7 per cent this year from an estimated 4.8 per cent last year on sluggish demand in the US and the crisis-hit eurozone.

The government has repeatedly expressed confidence that the national economy will expand by at least 5 per cent in 2012, in line with the annual growth target set out in its ambitious Economic Transformation Programme (ETP).

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