

Goldman Sachs revises GDP forecast for Malaysia
Business Times
March 28, 2012
By Presenna Nambiar

KUALA LUMPUR: Financial giant Goldman Sachs has cut its gross domestic product (GDP) growth projection for Malaysia to 3.8 per cent this year, slightly lower than Bank Negara Malaysia's 4 to 5 per cent range.

In October 2011, Goldman Sachs had projected growth for Malaysia at 4.2 per cent for 2012.

"Fixed Asset Investment ratios haven't actually recovered much since the troughs of the Asian crisis and that's the main reason that is holding back potential growth for Malaysia," Goldman Sachs Global Investment Research Global economics, Commodities & Strategy Research executive director Mark Tan told reporters yesterday.

Fixed Asset Investments refer to infrastructure as well as capital expenditure spending.

Tan said while efforts under the Economic Transformation Programme (ETP) have been progressing well, more progress needs to be seen in order for Malaysia to raise its potential growth to six per cent over the next 10 years.

Malaysia needs to achieve six per cent GDP growth annually to achieve its target of becoming a high income nation by 2020. In 2011, it fell short by 0.9 per cent.

"For me, I think structural issues are the most important issue, it's the thing that will prevent a sort of re-rating of Malaysian assets," Tan said.

He said more needs to be seen in terms of fiscal consolidation, for example, through the reallocation of revenues from oil to more productive sectors rather than just subsidies.

Goldman Sachs expects BNM to hold interest rates at 3 per cent this year.

It also targets that the ringgit will appreciate to RM3 against the dollar in the three-month period, RM2.98 in the six-month period and RM2.96 in the 12-month period.

Copyright © The New Straits Times Press (Malaysia) Berhad

Source: http://www.btimes.com.my/Current_News/BTIMES/articles/pgs/Article/