

FT: Lagging reforms, slower exports threaten high-income goal
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KUALA LUMPUR, Feb 18 — Malaysia risks getting bogged down in the middle-income trap despite above-expectation growth last quarter as reform measures falter and demand for exports slow, the Financial Times said yesterday.

The business daily said in its beyondbrics blog that despite a 5.2 per cent GDP growth in the fourth quarter of last year and presenting a “solid outlook” for this year, the lack of structural reforms will see Malaysia struggle to power past an economic plateau.

It noted that the economic momentum in Malaysia was easing against a backdrop of weakening external demand, and said the country’s long-term outlook would hinge on the execution of its structural reform agenda.

But the Najib administration’s attempts to boost its popularity ahead of widely expected polls by increasing spending will only weaken the government’s position and make such reforms difficult, the daily said.

“Things like implementing measures to improve productivity to make Malaysia a little more competitive... are still not there,” the FT quoted Euben Paracuelles, a Nomura economist, as saying.

“For example, the freeing up of fiscal space by cutting subsidies and use the spending for more productive purposes to enhance the economy has happened, but on a very minimal basis.”

Datuk Seri Najib Razak has announced ambitious reforms in a bid to double per capita income by 2020 from US\$7,760 currently and propel Malaysia into high-income nation status.

Also of concern is the National Feedlot Corporation (NFCorp) scandal involving the family of federal minister Datuk Seri Shahrizat Jalil, which the opposition has used to highlight Prime Minister Najib’s poor governance and “weak leadership”, FT said.

“It just reinforces the perception that the political and economic leadership is not heading in the right direction,” Bridget Welsh, Malaysia expert at Singapore Management University, told the paper.

Najib’s unwillingness to call for elections, which must be held by April 2013, was a reflection of his lack of confidence in winning, she added.

Bank Negara Malaysia said on Wednesday Malaysia’s economy grew at an annual pace of 5.2 per cent in the fourth quarter of 2011, slowing from the previous three months as the trade-dependent country felt the effects of weaker global activity.

The fourth-quarter growth, which beat economists’ expectations of a five per cent

expansion, was underpinned by strong domestic consumption, which grew at 7.1 per cent year-on-year.

The expansion in the last three months of the year took the economy's full-year growth to 5.1 per cent, markedly lower than the 7.2 per cent growth posted in 2010.

Public spending jumped 23.6 per cent while inflation in December eased to an annual pace of 3.0 per cent from 3.3 per cent in November and is expected to fall further.

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