

ADB: 2012 GDP to slide to 4pc on slow demand
The Malaysian Insider
April 11, 2012
By Yow Hong Chieh

KUALA LUMPUR, April 11 — Malaysia's economic growth will slow to 4.0 per cent this year on weaker external demand before accelerating to 5.0 per cent in 2013, the Asian Development Bank (ADB) has said.

It noted in a report published today that the gloomy global outlook will cloud the nation's growth prospects given its close integration with the world economy.

ADB's Asian Development Outlook 2012 said growth would again be anchored by domestic demand this year, with private consumption set to get a boost from the government's decision to hike up public sector wages and give one-off cash handouts to low-middle-income earners.

Putrajaya's plan to introduce a minimum wage this year was also expected to lift incomes for the low paid, again boosting domestic demand.

The labour market is expected to soften, particularly in trade-exposed industries, the report said, citing a steep decline in job vacancies in January this year from a year ago.

Private investment in export-oriented sectors like electrical and electronics will be subdued by weak global demand this year, although investment in industries which depend on domestic demand will likely remain "relatively buoyant", it said.

"Growth in merchandise exports is expected to be subdued in 2012 owing to torpid global trade and softer prices for export commodities, including palm oil," the report said.

"Similarly, imports will increase at a modest rate, in tandem with weakness in manufacturing industries and more moderate growth in private domestic demand."

ADB also said services will likely continue to drive growth on the production side as the government relaxes restrictions on foreign investment in 17 services sub-sectors like accounting, education, legal, and medical services.

This will be aided by tax breaks given to encourage treasury management as well as Islamic and other financial services, it said.

The report added that the government's fiscal policy this year was again targeted at stimulating domestic demand and that the federal deficit was expected to be broadly similar to that recorded for 2011 as a share of gross domestic product (GDP).

It forecast that inflation will recede to 2.4 per cent on slower domestic demand and lower prices for imported commodities in general.

Bank Negara Malaysia (BNM) said last month it expects the economy to slow to a pace of four to five per cent this year on sharply weaker exports amid a global slowdown.

The central bank said domestic demand will continue to support expansion but that slower growth in Malaysia's major trade partners and the euro zone debt crisis threatened the outlook for 2012..

BNM's forecast for 2012, following GDP growth of 5.1 per cent last year, is more pessimistic than the government's target of five to six per cent needed to attain high-income nation status.

The Malaysian Insider

Copyright © 2012 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/malaysia/article/adb-2012-gdp-to-slide-to-4pc-on-slow-demand/>