

**PM: World economy not out of woods yet**  
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**By Lee Wei Lian**

KUALA LUMPUR, June 4 — The world is grappling with an economic slowdown for the second time in three years and risks entering a sustained period of economic volatility, said Datuk Seri Najib Razak today.

The prime minister said that the world economy has remained sluggish since the 2009 financial crisis and the uncertainty is deterring investment and holding back demand.

"More recent developments also remind us that we are not yet out of the woods," he said in a speech at the World Gas Conference here.

"A disorderly European debt default cannot be ruled out, and this uncertainty compounds the risks that stem from an uneven US recovery and slower economic growth in China."

Najib added that the economic risks made it tempting to try and maintain the status quo, but said reforms were required to restart sustainable growth.

"Indeed unless more urgent steps are taken to address the systemic weaknesses that act as a barrier to self-sustaining global growth, we could find ourselves mired in a protracted period of economic volatility — the proverbial 'stop-go' economy," he said.

Stocks markets tumbled last week following increased concerns that the euro zone could face the worst-case scenario of a breakup, and that growth in US and China could be slowing faster than expected.

Malaysia's gross domestic product (GDP) grew at a slower pace of 4.7 per cent in the first quarter, compared with 5.2 per cent in the previous quarter due to challenging global economic conditions.

First quarter exports contracted the most in nine months, slumping 20.8 per cent against the same period last year.

Domestic demand remained robust, however, with the construction sector growth surging 15.5 per cent in the first quarter, double the rate of the previous quarter.

Malaysia is projected to register economic growth of between 4 and 5 per cent this year.

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